

By Don Oberdorfer Washington Post Service

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WASHINGTON - President Ronald Reagan and Mikhail S. Gorbachev, the Soviet leader, signed a treaty Tnesday eliminating medium-range and shorter-range nuclear missiles. They also declared their determination to go on to cut longrange strategic nuclear arms.

Sitting side by side in the East Room of the White House, the two leaders inscribed their signatures on the intermediate-range nuclear forces treaty, the first treaty ever to eliminate an entire class of offensive nuclear arms. Then they went back to work on wide-ranging discussions intended to bring additional gains in disarmament and U.S.-Soviet relations.

Under terms of the accord, the United States will over three years scrap Pershing-2 and cruise missiles deployed in West Germany, Britain, Italy and Belgium. In all, the United States will eliminate about 850 medium- and shorter-range missiles. The Soviet Union will eliminate about 1,750 missiles over all. Mr. Reagan and Mr. Gorbachev, at times solemn, at times gently joshing with each other in the manner of old friends and quoting from proverbs and sayings, time after time expressed hope that the talks this week, their third summit meeting, would be crowned with further achievements.

"We can see what we can accomplish when we pull together," Mr. Reagan said before signing the treaty.

He said the treaty should be not the end but "the beginning of a working relationship" that could bring progress in reducing strategic arms, improving the balance of conventional forces in Europe, settling regional conflicts and advancing human rights.

Mr. Gorbachev also made mention of the potential for reductions of conventional arms in Europe.

The Soviet leader, as he prepared to put his name to the treaty, described it as a chance to change the direction of great power military developments, "a hig chance at last to get onto the road leading away from the threat of catastrophe."

Mr. Gorbachev said that Dec. 8, 1987, was "a date that will be inscribed in history" as the dividing point between growing risk of nuclear war and a growing demilitarization of the world.

The preamble to the treaty they signed declared that the United States and the Soviet Union were:

"Conscious that nuclear war would have devastating consequences for all mankind,

"Guided by the objective of strengthening strategic stability, "Convinced that the measures set forth in this treaty will

help to reduce the outbreak of war and strengthen international peace and security, "Mindful of their obligations under Article VI of the Treaty

on the Non-Proliferation of Nuclear Weapons." A last-minute hitch that threatened to create a ticklish diplomatic and political prohlem was settled on Tuesday morning when the Soviet Embassy provided a clear photo-graph, which had been transmitted by facsimile from Moscow overnight, of an SS-20 missile, the principal type of Soviet nuclear weapon that is to be eliminated under the intermediate

nuclear forces treaty. A photograph that had previously been submitted for inclusion in the annex of the treaty was rejected by the United States on Monday night as inadequate. State Department officials said the earlier picture showed the huge canister in which the mobile SS-20 is transported, but not the missile itself.

Until the picture from Moscow was received several hours before the signing of the treaty, the United States did not have a clear photograph of the missile, which is rarely removed from its portable canister, according to the officials.

A Soviet spokesman, Gennadi I. Gerasimov, made light of the dispute, holding up a copy of the photograph at a news conference after it had been provided to the U.S. side and saying, "There is nothing very exciting in it."

The first meeting of the two leaders came during a full-dress ceremonial welcome, complete with 21-gun salute, U.S. mili-tary honors and U.S. and Soviet flegs and anthems on the White House South Lawn.

In an exchange of remarks that was unusually substantive for such a ceremonial occasion, Mr. Reagan and Mr. Gorbachev each declared his intention of using the three days of talks to make progress toward their agreed goal of reducing U.S. and Soviet strategic nuclear arms by 50 percent.

Speaking first in a Russian phrase and then in English, Mr. Reagan said, "The world is watching."

He added: "We make history. Changing its direction is within our power. However, such change is not easy and can be accomplished only when leaders of both sides have no illusions, talk with candor and meet differences head on. Such, I hope, will be the spirit of our upcoming meetings.

Mr. Reagan made it clear that, in addition to nuclear arms control, he was eager to discuss with Mr. Gorbachev the entire

See SUMMIT, Page 4

Dutch Cancel Plan to Cut NATO Role

Compiled by Our Staff From Disparches THE HAGUE - Prime Minister Ruud Lubbers confirmed Tuesday for the first time that the Netherlands would continue two NATO nuclear missions that it had planned to drop until the U.S.-Soviet arms treaty canceled the deployment of cruise missiles on Dutch soil.

Mr. Lubbers said nuclear-armed F-16 fighter planes and Orion sea patrol aircraft would continue to be based in the Netherlands. The gov-ernment decided in 1985 to discontinue the missions as part of a political arrangement to win approval for deployment of cruise missiles in the Netherlands in 1988.

The Netherlands has two other NATO nuclear tasks, involving the maintenance of beavy nuclear artillery and Lance missile systems. Asked whether the Netherlands would keep all four nuclear tasks, Mr. Lubbers said, "In fact, yes."

The Dutch decision was an indication that, for many Europeans, the nuclear disarmament process has gone far enough for now.

In West Germany, the European nation where most of the North antic Treaty Organiz

Senate Girds For Approval **Of Treaty**

PARIS (AP) - France on Tuesday expelled 17 alleged members of an Iranian opposition movement, putting them on a plane to the West African country of Gabon.

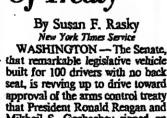
Klosk

France Expels

Iranian Rebels

The Interior Ministry said that 14 Iranians and three Turkish citizens it said were members of the People's Mujahidin of Iran were expelled Tuesday morning "for pressing reasons of national security. The ministry said nine others eight Iranians and one Turk were placed under house arrest, The government of Prime

Minister Jacques Chirac denied charges that its actions against the mujahidin stemmed from negotiations with Iran over French hostages in Lebanon.



Many senators said in interviews derstandings would be attached.

arms control agreements. If approved, this would be the endorsement since the Anti-Ballistic Missile Treaty of 1972. Senator Sam Nunn, chairman of the Armed Services Committee, one of three panels that will hold heatings, noted that the Senate's continuing batde with the Reagan administration

that remarkable legislative vehicle built for 100 drivers with no back seat, is revving up to drive toward approval of the arms control treaty that President Ronald Reagan and Mikhail S. Gorbachev signed on Tuesday.

that the approval of the treaty itself was not in doubt, but rather which amendments, reservations, and un-Preliminary battle lines are being drawn around three major issues: how the neaty will affect the balance of conventional armed forces in Europe, the adequacy of the treaty's verification provisions, and whether approval should be linked. to Soviet compliance with previous

first arms accord to win Senate over interpretation of the AB





Senator Lawton Chiles's decision not to seek reelection may make it hard for the Democrats to keep control of the Page 6. Senate.

GENERAL NEWS

The FBI is investigating the Page possibility of a "criminal act" in FOR NO a jet crash that killed 43. Page 2. CLASSES The effort to end the Cambodia conflict is said to be facing

Page : major hurdles. BUSINESS/FINANCE COPEC oil producers are try-

ing to protect their shrinking and Easily in the purchasing power. Page 17.

Dow close: UP 56.20 The dollar in New York: DM £ Yes FF 1.6635 1.7995 132.65 5.651

summer. The treaty has already become a lightning rod in the 1988 presidential race. Vice President George Bush is the only Republican coutender to support it. His chief rival,

cd.'

See SENATE, Page 5

The jockeying may have less to do with the substance of the cur-

reat treaty than with concerns

about its implications for the sub-

stance of an agreement on reducing

long-range, or strategic, missiles. Mr. Reagan would like to sign a

strategic accord in Moscow next



Mikhail S. Gorbachev and Ronald Reagan shaking hands after signing copies of the treaty eliminating intermediate nuclear forces on Tuesday. that would have to be renegotiat-

Greetings' at the White House: Excerpts From the Official Remarks

Reagan

General-Secretary and Mrs. Gorbachev, I've welcomed a good number of foreign leaders to the White House in these last seven years. And today marks a visit that is perhaps more momentous than many which have preceded it, because it represents a coming together not of allies but of adversaries.

And yet, I think yon'll find during your stay that the American people believe that a stranger is a friend they have yet to meet and that there is still a wellspring of goodwill

Indeed, I know that many of our citizens have written to you and Mrs. Gorbachev and have even sent to you the keys to their homes. That honest gesture certainly reflects the feelings of many Americans toward you and Mrs. Gorbachev and toward your people. I have often feit that our people should have been better friends long ago. But let us have the courage to recognize that there are weighty differences between our govern-

See REAGAN, Page 4

The missiles will be destroyed in a three-year period after the accord takes effect. The

United States will destroy 429 intermediate-range missiles already deployed and 260

others not yet deployed; it will also destroy 160 shorter-range weapons not yet deployed. The Soviet Union will eliminate 470 intermediate-range missiles now deployed and

356 others not yet deployed; it will also eliminate 926 shorter-ranger weapons.

Gorbachev

History has charged the governments of our countries and the two of us, Mr. President, with a solemn duty to justify the hopes of Americans and Soviet people, and of people the world over, to undo the logic of the arms race by working together in good faith. In the world's development, much will depend upon the choice that we are to make, upon what is to triumph: fears and prejudice inherited from the cold war and leading to

confrontation, or common sense, which calls for action to ensure the survival of civilization.

We in the Soviet Union have made our choices. We realize that we are divided not only by the ocean but also by profound historical, ideological, socio-economic, and cultural differences. But the wisdom of politics today lies in not using those differences as a pretext for confrontation, enmity, and the arms race.

We are beginning our visit 46 years after the days when the United States entered the See GORBACHEV, Page 4

Claws of Asia's 4 'Tigers' U.S.-Soviet Arms Treaty: what the 2 Sides Agreed To Slicing U.S. Trade Gains Weapons

By John Mechan mal Herald Tribune Interna

NEW YORK - The Reagan administration's ability to sustain the kind of improvement in the U.S. trade deficit that cheered financial markets last month is being seriously impaired by a flood of im-ports from Asia's newly industrialized countries, analysts say.

Until recently Washington has been applying quiet diplomatic pressure on the so-called four little tigers - Hong Kong, Singapore, Taiwan and South Korea - to take measures to redress their trade imbalances with the United States. These small nations now account for 30 percent of U.S. imports and the fastest growing segment of the trade deficit.

A recent study hy economists at Morgan Guaranty Trust Co. showed that over the 12 months ended in August, the U.S. trade deficit with these four nations grew by \$8.5 billion, compared with only \$1.2 billion growth in the deficit with Japan. The gap with Western Europe narrowed by \$4.7 billion.

Autor States But as financial markets brace themselves for Thursday's U.S. trade figures for October, which Market States some analysis suspect may show poorer results than September's

\$14.08 billion deficit, there is a sense of urgency among economists and U.S. officials to reverse what they see as basic inequities in trade relations with these small nations. The biggest source of contention is that the four countries have gained unfair trade advantages by restraining the value of their currencies against the dollar. Since the U.S. currency's decline began in early 1985, the yen and Deutsche mark have doubled in value against the dollar, making Japanese and West German exports more expensive for U.S. consumers. In contrast, the South Korean won has

risen by about 5 percent, and the Taiwan dollar by about 35 percent. "It's a big impediment to improving the trade deficit," said Lawrence Chimerine, chairman of

Wharton Economics. ministrative decrees or market ma-nipulation, to maintain a link be-tween their currencies and the declining dollar to insure that they eaptry and ambitions works to end. They spoke against a backdrop do not jeopardize their competitiveness in the U.S. market.

As recently as Tuesday, Taiwan's central bank bought \$1 billion to support the U.S. currency and

See TIGERS, Page 15

The treaty has to be ratified by the Supreme Soviet, the Soviet Union's nominal parliament, and by the U.S. Senate. Democratic leaders say that Senate hearings will begin Jan. 19 and that a vote is likely within two months after the hearings start. Senate ratification requires a two-thirds margin, or 67 votes of the 100 senators.

The Associated Press

Verification

Within three months after the treaty is ratified, teams of on-site inspectors will visit every missile site listed by each nation in a separate protocol. For six months after the treaty takes effect, each side can get rid of 100 missiles each by launching them, unarmed. The missiles can also be cut up or buried. The treaty also provides for challenge, on-site inspections. Each side can carry out 20

inspections a year for three years to search for banned weapons, 15 inspections annually for the next five years and 10 a year for an additional five years.

Negotiations

The negotiations began in 1980, a year after NATO agreed to the deployment of cruise missiles starting in 1983. The deployment was in response to the SS-20 deployments that began a decade ago. The talks have been going on mider Mr. Reagan since 1981.

The 3d Summit: Pageantry, Promises and Symbols

Ratification

on the cold shores of Lake Geneva president and Soviet leader paused

their summit talks with full pag-eantry and ambitious vows to end the arms race. They spoke against a backdrop of U.S. soldiers carrying Soviet flags down the drive of the South The arrival ceremony for Mr. Lawn of the White House. And Gorbachev, the first Soviet leader some of the gnests waved tiny to visit the United States in 14 American and Soviet flags in cele-

years, was filled with symbolic re- bration of what Mr. Reagan deminders that this meeting holds scribed as a meeting of "adversar- rigidly as the national anthems of Raisa, arrived at the White House,

for peace into a gentle, chill breeze.

ment in the distance, they stood

The audience included Mr. Rea- and Drum Corps.

translated into Russian. Mr. Rea- diate Nuclear Forces treaty that where the Soviet leader signed the

By David Holfman Washington Past Service WASHINGTON — They had met before with simple handshakes on neutral territory, the American Machinet of Laker Service Washington Past Service WASHINGTON — They had met before with simple handshakes on neutral territory, the American Machinet of Laker Service Washington Past Service Washington

president's guest book and they posed for photographers. The chief White House spokes-

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man, Marlin Fitzwater, said the mism. president gave Mr. Gorbachev a pair of solid gold cuff links --- iden-See SCENE, Page 4

clear weapons are concentrated, Foreign Minister Hans-Dietrich Genscher has urged NATO to follow up the arms treaty with talks on climinating other U.S. nuclear missiles in Europe, notably the sbort-range "battlefield" systems.

Rejecting this view, other European leaders, including the Christian Democrats in Chancellor Heimut Kohl's coalition government in Bonn, have argued that the treaty should not be allowed to lead to the elimination of all U.S. nuclear missiles from NATO countries.

Instead they have said, arms control in Europe should now focus on conventional forces.

"There are still too many weapons, especially for us in Europe and here in West Germany," Mr. Kohl said Tuesday in a television ad-dress. "We want the disarmament process to continue, with the condition that in the final analysis, our security is increased and not diminished."

"Chemical weapons must finally be banned worldwide," he said. "In Europe we are trying to achieve a balanced relationship at a lower level for conventional weapons and nuclear weapons with a range un-

der 500 kilometers" (300 miles). Nevertheless, Mr. Kohl told his countrymen to "rejoice" in the treaty. And Prime Minister Margaret Thatcher of Britain called the accord "a marvelous Christmas present."

A spokesman at NATO head-quarters in Brussels said the alliance saw the treaty as "a true milestone for the arms control process."

He said the allies had put aside earlier misgivings about the effect of the treaty on their security.

"Let there be no question: The entire alliance strongly supports ratification of the agreement," he

The five European nations that agreed to have U.S. medium-range missiles on their territory said they would sign an undertaking Friday in Brussels allowing Soviet inspectors to check treaty compliance.

In return for the inspection privileges in West Germany, Britain, Italy, Belgium and the Nether-lands, the Soviet Union committed East Germany and Czechoslovakia to receive U.S. inspectors. President Ronald Reagan de-

scribed the inspection process during and after the removal of the

See ALLIES, Page 5

More on Summit

Demonstrators made their feelings known across from the Page 3. White House. **Reactions** abroad included cynicism, anxiety and opti-Page 4.

Raisa Gorbachev, with few words, heads off on a whirlwind tour of Washington. Page 5.

Wharton Economics. The four tigers have gone to great lengths, either through ad-ministrative decrees or market ma-ald Reagan and the Soviet leader, struck a surprisingly parallel ranstared mite Russian. Mr. Rea-gan smiled slightly for much of the Mr. Reagan and Mr. Gorbachev Soviet leader's address, his lips signed later in the day. But it did growing tight, and his face passive, not include such prominent former

Facing the Washington Monu-ment in the distance, they stood As Mr. Gorbachev and his wife,

when the Soviet leader mentioned Reagan administration officials as that his goal is a nuclear-free world. Caspar W. Weinberger, the former

Page 2

INTERNATIONAL HERALD TRIBUNE, WEDNESDAY, DECEMBER 9, 1987

FBI Probing 'Criminal Act' in Jet Crash

Compiled by Our Staff From Despatches CAYUCOS, California - The Federal Bureau of lovestigation said Tuesday that the crash of a Pacific Southwest Airlines jet ap-peared to have been caused by "a criminal act.

An ABC News report on Tues-day said that a former USAir employee, gunning for his boss, was among the 43 people aboard.

The pilot of the jet radioed that there was gunfire aboard and smoke in the cockpit shortly before it crashed onto a ranch in central California on Monday, killing all 43 aboard, officials and witnesses

"At this point it does not appear that it was an accident," Richard Bretzing, head of the FBI office in Los Angeles, said before the ABC the plane with a .44-caliber Magreport. "It appears at this point and has yet to be substantiated that it was a criminal act on board that caused the craft to come down." Mr. Bretzing said agents at

num and six rounds of ammunition, the network said.

New York Tunes Service

tional airport injuring at least four persons, in what officials said ap-

peared to be an attempt to disrupt a

regional summit meeting set for

A second, smaller explosion in the city's financial district was re-

ported about 30 minutes after the 7

oext week.

MANILA - A car bomb exploded Tuesday at Manila interna4 Chevron Officials Among Victims Reuters

SAN FRANCISCO - Four executives of Chevron's domestic oil and gas subsidiary, including its president, were among the victims in Monday's crash of Pacific Southwest Airlines flight 1771, the company said

Chevron Corp. said the four were James R. Sylla, Chevron U.S.A. president; Owen F. Murphy, Los Angeles regional vice president for general representation; Jocelyn G. Kempe, Ventura and Santa Barba-ra public affairs manager, and Allen F. Swanson, public affairs manager for Orange, California, and the Arizona area.

badge to avoid security checks, crash included a fired USAir em-boarded the plane intending to kill ployee and his former superior at the boss who had recently fired the airline.

A USAir spokesman said the for-The former USAir employee re-portedly left behind a suicide note Nov. 19 "for misappropriation of in which he said he would get on funds." Pieces of the plane were scattered across 20 acres of brush and oak grove on a hillside.

United Press International re-ported that a spokeswoman for consider identifiable as a human USAir, which merged with PSA at being," a local police official said. the site were looking for a weapon. the end of May, said in Washington The largest single part found of ABC News said a former em-that the airline could not confirm the four-engine BAe-146 was about ployee of USAir, using his airline the report but that the dead in the two feet (60 centimeters) long.

Crews found the "hlack box" containing flight data and sent it to Vashin

The flight was en route from Los Angeles to San Francisco. There were 39 passengers and four crew members aboard. The airline initially reported 44 dead, but then said it counted one flight attendant traince twice,

Gene Katz, who was flying a small plane from Santa Rosa to Los Angeles, reported overhearing the airline pilot talking to air traffic controllers.

He said that the PSA pilot "said he had an emergency, there was guafire, and he was squawking in 'seven-seven-zero-zero,' which is a special code."

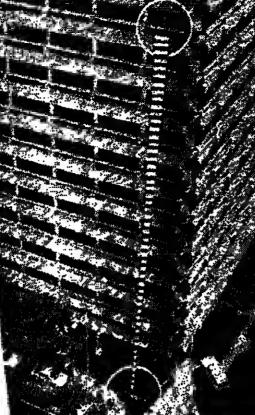
Mr. Katz added, "At that time, the controller said: 'Say again,' and the captain confirmed, he said, 'I have an emergency, gunfire,' and that was the last communication.' Stephen A. Kronick of Sacramento, a passenger in a chartered plane en route to Paso Robles, said, We heard the PSA pilot say gun-fire aboard. The Oakland terminal tried to call him back, and we

sighted burning on its left side over Templeton, about 20 miles from the crash site, shortly after radio and radar contact was lost at an

ters), said another witness. All airline passengers and carry-on bags are screened for weapons, and the boarding of the jet's pas-sengers had been routine, said an airline spokesman in San Diego. The X-ray and metal-detectioo equipment at the boarding area were checked by the Federal Avia

were recently overhauled.

(AP, UPI, Reuters) lice said.



The Melbourne office building where a gumman plunged to his death Tuesday after going on a random shooting spree. The photo indicates his fall and an area of broken windows.

Gunman in Melbourne Kills 8, Falls to Death

The Associated Press Office workers at the Telecom MELBOURNE — A gunman Credit Cooperative said the gun-killed eight persons Tuesday in an an ran through the huilding office building and wounded sever-shooting at random with a highpowered weapon. Five women and three men were killed, a police offial others before falling to his death from an 11th-floor window, the po-

zial said. Telecom employees were prepar-

ing to leave for the day when the gunman entered the building. The shooting started when the gunman confronted another man in a dispute "not of the normal family domestic type," the police said. They said that several shots were fired but that the other man was not hit.

No motive was immediately offered. The police withheld the man's identity but said he was 22 years old.

The shooting came four months after a shooting spree in Melbourne left seven persons dead and 18 wounded in what was Australia's worst random slaying. A teen-aged army cadet, Julian Knight, was

A government official, John Cain, on Tuesday pledged an im-mediate investigation, to prevent

imilar acts of violence. Melbourne, a city of 3 million on the southern coast, is Australia's second-largest city.

WORLD BRIEFS

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South Africa Police Detain Activist

JOHANNESBURG (WP) - South African security police detained without charges a prominent anti-apartheid activist, Eric Molobi, on Tuesday as fears rose among black nationalists that a pre-Christmas crackdown on government opponents was imminent, his attorney said. Mr. Molobi, one of the few members of national executive committee of the United Democratic Front anti-apartheid coalition who was not in detention, was reportedly arrested as he left the central Johannesburg office of the lawyer, Priscilla Jana. He had been discussing the creation of a trust fund for the recently-released African National Congress chairman, Govan Mbeki, Ms. Jana said.

Ms. Jana said that the police had confirmed to her that Mr. Molobi was being held without charges under emergency regulations. Sources in the United Democratic Front said they feared a new roundup of officials of the organization, which consists of more than 700 anti-apartheid groups.

Irag and Iran Claim Strikes in Gulf

NICOSIA (AP) — Iraq said its planes attacked a tanker off Iran's Gulf coast on Tuesday, and Iran said that its ground forces had downed two Iraqi fighters and that its air force had bombed southern Iraq.

Tehran's official Islamic Republic News Agency said that both Iraqi planes were downed on Monday, one with a U.S.-designed Stinger missile. The official Iraqi News Agency quoted an air force spokesman as denying that any Iraqi planes had been lost.

South Korea Seeks Suspect's Return

BAHRAIN (Reuters) — A South Korean envoy arrived in Bahrain on Tuesday to seek extradition of a woman whom Seoul officials suspect of planting a bomb on a Korean airliner that apparently plunged into the

Andaman Sea with 115 people aboard. The envoy, Park Soo Gil, South Korea's deputy foreign minister, is scheduled to meet with Bahrain officials to discuss the extradition of the Asian woman, who is being held at an island prison off Bahrain.

South Korean officials say they believe that the woman, who swal-lowed a cyanide capsule after her arrest but survived, is one of two North Korean agents they suspect of planting a bomb on the plane, which wanished on Nov. 29. The woman and the other suspect, an elderly Asian man, were at the Bahrain airport as they tried to leave for Jordan on Dec. 1. The man died after taking cyanide.

Israel Asks Probe of Lost Nazi Files

UNITED NATIONS, New York (UPI) - Israel called on Toesday for a "full-scale investigation" by the United Nations into the disappearance of about 400 files from the archives of the UN War Crimes Commission. An Israeli reporter, Uri Dan, learned of the disappearance of the files on Monday. Mr. Dan is the first journalist to have been admitted to the

archives since they were opened to the public last month. The director of the archives, Alf Erlandsson, said his department found out over the past year, when it began microfilming the files, that 433 of them were missing. He could not say how they may have disappeared. The Israeli spokesman for the UN mission, Eyal Arad, said, "We expect the United Nations to launch a full-scale investigation into the disappearance of the files."

TRAVEL UPDATE

Air France Unions Urge 4-Day Strike

PARIS (AP) — Two mions representing pilots for Air France, the French national carrier, called on their members Tuesday to strike for four days beginning Thursday. Air France said a meeting with the two unions hroke down when the company and the pilots were unable to reach a compromise on demands for pay raises for pilots who will fly the new Airbus A320, scheduled to go into service in March. The company said the pilots were demanding raises of from 1,000 to 2,000 frances (\$175 to \$350) a month.

Italian train conductors have called for a national 24-bour strike beginning at 4 P.M. on Sunday. Streetcar and bus conductors plan four-hour national strikes on Wednesday this week and next, according to their unions.

 Airport ground employees in Italy have announced a national 24-hour strike for Monday. And pilots for the airline Alitalia also plan strikes Jan. 7 and 14. (IHT)

Air Inter, the French national domestic airline, will offer transport

A solid partner in the DM bond market:

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tion of South East Asian Nations. Some rightist groups have warned that they will attempt to disrupt the ASEAN meeting to em-barrass the government. The orga-nization includes the Philippines, locknessing The Philippi sassins shortly after they killed lodonesia, Thailand, Malaysia, Rene Cayetano and wounded a Singapore and Brunei. companion. Both men, shot while walking in a residential area, were Candidate Murdered described as police informers. Gunmen killed a candidate in next month's local elections Tues-

4 Hurt in Bombing at Manila Airport

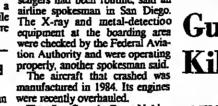
P.M. airport bomhing. No one was other men thought to be Commu-nist guerrillas killed a reputed po-Aurelio Germao, 20 airport manager, said the bomh had been lice informer in a Manila suburb, planted in a car parked outside a the police said as reported by The

restaurant near the departure area. Associated Press. Mr. German said he believed the bomh was intended to frighten away participants in cext week's Tuesday's victim as Pacifico Ma-Mr. German said he believed the summit conference of the Associa- uas, a candidate for mayor in Lu-

day in an ambush near Manila, and Philadelphia Prelate Named VATICAN CITY - Pope John

Paul II has named Bishop Anthony J. Bevilacqua of Pittsburgh as arch-bishop of Philadelphia, the Vatican

announced Tuesday. Cardioal John Krol, 77, has resigned as archbishop because of age.



The pilot, Captain Gregg N. Lin-damood, 43, of Julian, had logged 11,000 honrs of flying over 14 years with the airline, including 1,500 hours on the BAe-146, the airline

didn't hear a response." The airliner, which seats 85, was alutude of 22,000 feet (6,700 me-



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Helaba Frankfurt - the government-backed regional bank in Frankfurt - issues its own bearer bonds and SD Certificates (Schuldscheindarlehen). With an outstanding volume of some DM 31 billion these securities are an attractive investment for private and institutional investors.

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Helaba Frankfurt's placing power is considerable. Around the world institutional clients value the Bank's proven creativity and flexibility in meeting the challenges of today's markets.

Helaba Frankfurt Hessische Landesbank -Girozentrale



TEL AVIV - Israeli troops enforced a curfew oo Gaza City for the third consecutive day Tuesday following the killing of a Jewish salesman in the occupied area by Palestinian guerrillas, an Israeli

Army spokeswoman said. Shlomo Takal, 45, from the Tel Aviv suburb of Bat Yam, died in bospital Sunday a few hours after he was attacked. The national radio said most of the suspects arrested after the killing had been released while a few remained in police custody for questioning.

services for some types of cars and motorcycles in the holds of its Airbus jets beginning Jan. 1. Prices will range from 1,050 francs (\$184) to 1,600 francs for cars, depending on the destination, and 450 to 600 francs for motorbikes of 125cc size.

Greece imposed emergency anti-pollution measures in Athens on Tres-day amid heavy smog. The decrees restricted auto traffic within a 115square-mile (390-square-kilometer) area around the city. Only taxis, ambulances and cars with special passes were to be allowed to circulate in the city center from 6 P.M. to 10 A.M. Wednesday. Carbon monoxide and smoke levels had surpassed danger limits. (AP)

Correction .

An article in the editions of Dec. 5-6 on Malaysian government initiatives to curb criticism contained several editing errors. Although the bill was introduced for debate Friday, the measure was first presented Nov. 30. A statement by the government that it would push through Parliament a measure trimming judicial authority was made on Thurs-day. Finally, analysts expect the government to bring that measure before Parliament in early 1988.

After Centuries of Invasion, Afghans Embrace Fighting as a Way of Life

By John Kifner New York Times Service

KABUL, Afghanistan - The champ shook out his massive ar muscles as the handlers should stepped back. He glared at his op-ponent, bounding toward him from the far side of the ring, his breathing already beavy. Barking, he went for the throat.

There was a hush as more than a thousand men, Afghans with hard, lined faces, leaned forward intently to watch the two battling dogs. Handlers carrying the wreath of flowers that had been draped over the champion scrambled to get out of the way.

The dogfights, accompanied by the exchange of money, are held every Friday — the Mosiem sab-bath — in a big field in the center of this dusty capital.

The fighting was more a wres-tling match than the fierce combat associated with pit bulls. Rearing on their hind legs, the dogs tried to torow their opposent to the ground. As they fought, their own-ers and handlers pushed and shouled. The champion soon forced his challenger down and new pairs of canine contestants were matched.

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"We also have a very interesting pose their will on tribal chiefs and sport in the north of the country — village mullahs. camel fighting," an Afghan specta-tor said. "Two male camels fight in

front of a lady camel." An Asian diplomat, shaking his ead, said: "These people just love fighting. It's impossible to imagine Afghanistan without fighting. When the Soviets came, they were very happy to have somebody else to fight."

Waves of invaders --- Greeks un-der Alexander, nomadic tribes from central Asia, Arabs, Persians, Genghis Khan's Mongols and, lat-er, British and Russians — have swept into these rugged mountains and met implacable resistance.

Rudyard Kipling, Britain's poet of empire, paid a kind of backhanded tribute to the locals' ferocity in the 19th century:

When you're wounded and left on Afghanistan's plains,

And the women come out to cut up what remains,

Jest rull to your rifle and blow out your brains

An' go to your Gawd like a soldier.

ĩ

Successive kings, like today's Com- order of the introduction of munist rulers, were unable to im- turi.

illage mullahs. Neither the Communists nor the Islamic guerrillas, known collec-tively as mujahidin, or holy wartiors, are immune to squabhling. A

major reason for the Soviet sweet into Afghanistan at the end of 1979 mic Argnanischi zi the end di 1979 was factional fighting among Mos-cow's local proxies, including a gunfight at a party meeting in which Nur Mohammed Taraki, then the party leader, was over-

thrown by supporters of his rival, Hafizullah Amin, who was later slain by the Russians. What will happen, a government

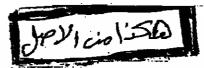
employee was asked, when the 115,000-odd Soviet soldiers leave? "A bloodbath." he said.

Machine-gun fire began the sec-ond day of the Loya Jergah, a tradi-tional gathering of elders — in this case mostly party regulars -Moscow's current Afghan leader, Major General Najib, who is a former secret police chief, called last month to legitimize his regime.

had tried to attend with his custom-

ary retinue of armed bodyguard. When the police objected, the The Afghans are hardly less opened up. At least eight person harsh on themselves. The country is are believed to have been killed. a patchwork of rival tribes and eth-The national sport of Afghani ic groups - the majority Pathans, stan, besides pitting animal Tajiks, Uzbeks, Turkomans, Bahu- against each other, is buzkashi, chis and an underclass of Shiite game in which horsemen try to pic Moslems known as Hazaras — up the headless body of a calf united only by their distrust of central government, by their hatred of grab it away. They race over

foreigners and, of course, by Islam. The blood feud is a way of life. But a French scholar, Olivier Roy, makes the point that it is not a feudal society; it lacks such formal, are said to regard the substitu structured relations of authority, of the calf as something on



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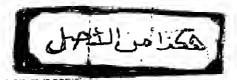
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THE WASHINGTON SUMMIT: A Disparate Array of Demonstrators as Historic Talks Begin

Gorbachev's Visit Brings Out Banners

By Bernard Weinraub New York Times Service WASHINGTON - There were

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Ukrainian-Americans gripping black balloons as they denounced Mikhail S. Gorbachev. There were conservative women's groups sup-porting the Strategic Defense Inifative. There were demonstrators seeking less money for missiles and more for AIDS research. There were immigrants from Vietnam,

Ethiopia and Afghanistan And there was Edwin Wagner, a "35-year-old beckeeper from New Castle, Delaware, who carried a "sign above his bicycle reading: ""Dec. 8 — John Lennon Lived and

""We knew what John Lennon Suspect's Return stood for: Give peace a chance," said Mr. Wagner, standing in La-fayette Park, across from the White House. "And that's what's happen-ing Dec. 8. Gorbachev and Reagan "are giving peace a chance."

17.3 (**7**4 B) rectangle facing the White House, NEW STREET was crammed Monday with an ar-inary of demonstrators. The largest number, hundreds of Ukrainian-Americans, concluded their protest with a march along 16th Street toand a statest

Summit Schedule

United Press Internationa

WASHINGTON - Major events during the meeting between President Ronald Reagan and the Soviet leader, Mikhail S. Gorba-::: ichev (all times GMT).

Wednesday, Dec.9 1400: Mr. Gorbachev meets con-

----gressional leaders. 1530: The third Reagan-Gorbaa state of the second chev session begins.

ALC: NEW TOWNS 1630: Raisa Gorbachev gets a White House tour. 1800: Secretary of State George

P. Shultz holds a luncheon for Mr. Gorbachev.

2400: The Gorbachevs bold a Soviet Embassy dinner for the Reagans.

Lrue 4-Dar Ste Thursday, Dec. 10 Bush holds a breakfast for Mr.

Gorbachev 1530: The fourth Rebachev meeting begins. 1700: Mr. Research 1530: The fourth Reagan-Gor-1700: Mr. Reagan and Mr. Gorbachey have lunch together.

1900: A White House departure ceremony begins. Later: Mr. Gorbachev holds a

n, news conference. O100. (Friday): Mr. Gorbachev

departs. 0200: Mr. Reagan addresses the American people

ed at a police barricade more than a block from the mission.

[Thirty protesters were arrested Tuesday, The Associated Press re-ported, All were taken into custody peacefully. [Fifteen Jewish protesters were

crested for demonstrating within 500 feet (150 meters) of the Soviet Embassy. Fifteen Afghans, who broke off from a larger demonstra-tion, were arrested in Lafayette Park, because they were demonstrating without a permit, the Na

tional Park Police said.] The protests marked the start of demonstrations and vigils that will continue in Lafayette Park and elsewhere until Thursday, the day Mr. Gorbachev is scheduled to leave the United States. At the National Cathedral, hundreds gathered for a prayer vigil for peace that began Sunday with the lighting of an eight-foot candle.

In Lafayette Park, the scene was a bit of a circus. American Bud-dhist monks in saffron robes sat cross-legged, chanting peace hymns, while Ukrainian demonstrators shrieked that Mr. Gorbachev was an "archdeceiver" and a "butcher.

A dozen representatives of four conservative national women's organizations, who claimed a collective membership of 750,000, began the protests in Lafayette Park in the morning with expressions of support for President Ronald Reagan's space-based missile defense system, called the Strategic Defense Initiative, and some blunt attacks on Mr. Gorbachev. The womeo carried broken umbrellas without fabric that symbolized, they said, the United States with-

out missile defenses. "We have no nuclear umbrella, we have no system to save American lives, it's immoral, it's macceptable, and that's why we need the Strategic Defense initiative," said Phyllis Schlafly, president of the Eagle Forum.

As she spoke, a woman in a fur hat, Winnie Gallant, who described herself as a member of Lafayette irritant in relations between the Park's continuing peace vigil, Kremlin and Jews in Israel and in walked in front of a banner next to the United States since it was creat-Mrs. Schlafly and removed her coat ed more than four years ago, a U.S. and jacket. "Peace is the shield," she said. "Yon don't need an um-brella." Then she said: "Thirty Jewish émigrés and an American years ago I would have gone all the

way" in disrobing.

she said.

tinue it in a surreptitious fashion." overnment is planning to disband The official said he was informed its officially sanctioned Anti-Zionof the plan to dissolve the Antiist Committee, which has been an Zionist Committee of the Soviet Public by its deputy chairman, Sa-muil Zivs, who is in Washington for the summit meeting between President Ronald Reagan and Mikhail S. Gorbachev, the Soviet leader. Jewish leader, suggested that the an was recognition by the Krem-

In the park, Afghans in native in that the committee was an emdress marched past, and Vietnam-ese handed out leaflets denomicing avowed purpose, which was to pub-Mr. Gorbachev. Mrs. Schlafly was licize the Soviet campaign to Mr. Gorbachev. Mrs. Schlafty was theize the soviet in pright been announced in the Soviet asked how she felt seeing the Unit-asked how she felt seeing the Unit-equate Zionism with racism. "I doo't think it means much," flutter in front of the White House," said the official, who spoke on con-"At least the U.S. flag is on top," she said.



up a poster protesting the presence of an estimated 115,000 Soviet troops in Afghanistan.

Kremlin to Disband 'Anti-Zion' Panel

New York Times Service WASHINGTON - The Soviet

> Mr. Zivs declined to publicly confirm or deny the report, but he said "there is a possibility" the committee would be disbanded. "No public organization can last forever," be said.

A Soviet official said plans had been announced in the Soviet

ture, they may want to end that. could be incorporated into that or That doesn't mean they won't con- ganization.

"It's not a gesture to anyone," the official said, "The idea is to take a broader approach to all humanitarian problems, to find new ways of doing things." The Anti-Zionist Committee was

formed in April 1983 and is referred to as a "public organization," meaning it purportedly is not a government organ. But the committee held press conferences at Foreign Ministry facilities and published pamphlets, through government-run printing houses, that many Jews considered profoundly anti-Semitic.

Soviet Expert, Assailing U.S. View, Claims Only 200 Await Exit Visas

Revers That demonstration you had a resisting the authorities, the activist washington of days ago in Washington - there is some kind of dramatic misunderstanding of the problem." Almost said two propermission to emigrate, and he ac-cused Americans of a profound misunderstanding of the emigration issue.

Vladimir L. Kudriavtsev said at a meeting of Soviet and American academics at the National Academy of Sciences in Washington that he had recently asked the Soviet Interior Ministry how many people with applications to leave had not

and was told there were only 200 cases of delayed exit visas," said

will oppose any deal made during the summit meeting in Washingtoo for the withdrawal of Soviet troops from Afghanistan.

Mr. Kudriavisev criticized a demonstration Sunday in Wash-ingtoo by more thao 200,000 American Jews and their supporters that was designed to call attention to the issue of Soviet Jewry

meeting,

Jews Held in Moscow The police in Moscow detained

tivist said, according to a Reuters report from the Soviet capital. Two of the protesters were charged with

received permission.

Mr. Kudriavisev, a member of the Soviet Academy of Sciences.

Mr. Shwartzman said the police had picked up the protesters before 14 Jews on Tuesday when they at tempted to demonstrate against So-viet emigration policy, a Jewish ac-tight emigration policy. The attempt at a eign Ministry. The attempt at a protest was the third in three days by Jews who have been refused visas to emigrate to Israel.

Ment to the Interior Ministry and was told there were only 200 Afghan Guerrilla Will Oppose Any Deal on Troop Pullout

he said at a Peshawar rally on Mon-PESHAWAR, Pakistan - An

There was no immediate reaction from the six other Afghan leaders of the Peshawar-based Alliance of Resistance.

Apparently alluding to the Unit-ed States, he said, "We will let no one speak on our behalf to the Russians. We are responsible as a nation and we will decide the govto the Russians and the Mujahidin



Page 3

"Some people got permission half a year ago to leave but they bave not

"When people give fantastic fig-ures like 4,000 or 40,000 or 400,000, 1 say these are fantasy and nothing

Jewish lobbies in the United States assert that up to 400,000 Soviet Jews would emigrate if given

the opportunity.

the goal of the anti-communist rebels - an Islamic government ahead of the U.S.-Soviet summit

Moscow.

disturbs both Washington and "For this reason Reagan and

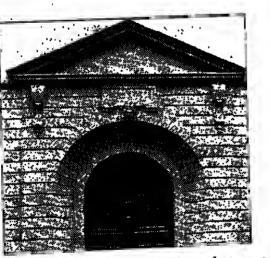
Gorbachev are trying to establish a ernment we want." He said it is up third government, a non-Islamic government inside Afghanistan,"

Afghan guerrilla leader has said he Mr. Hekmatyar was speaking at

Gulbuddin Hekmatyar of the a noisy rally attended by an esti-Hezb-i-Islami, one of the seven mated 5,000 people at Eid Gah main Afghan guerrilla groups, said mosque in Peshawar.

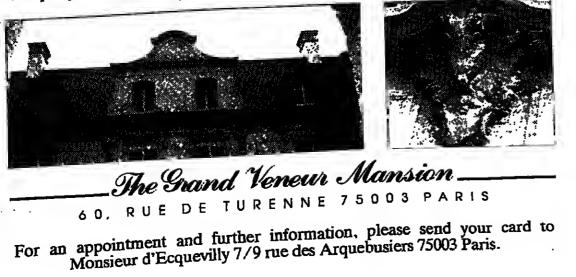
resistance fighters.

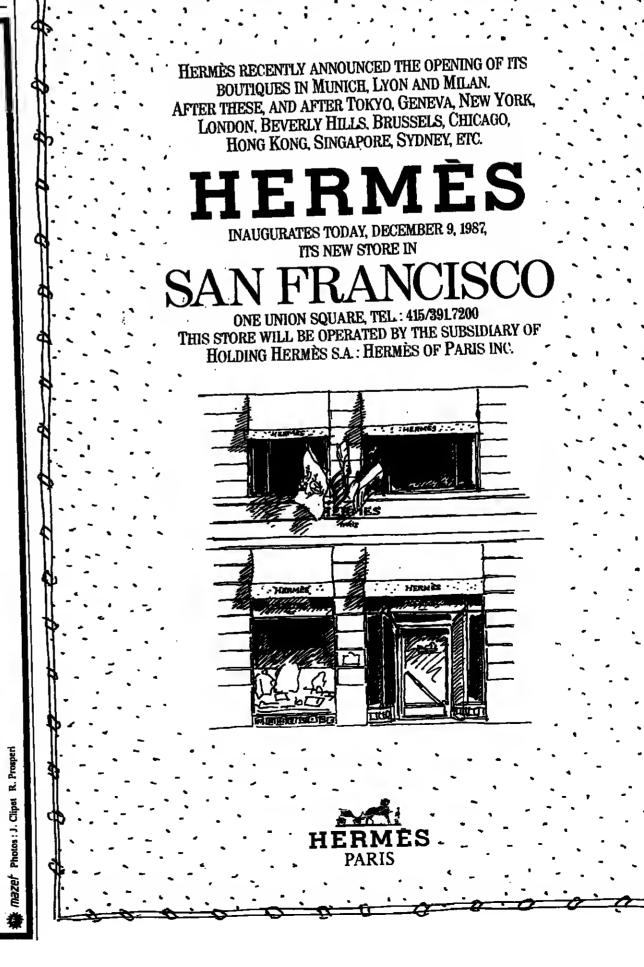
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ques", the building has been scrupulously restored to its original "grand siècle" character, including the grand staircase and reception rooms, the hunting scenes decorating the facade and the original paving stones in the imposing courtyard. Today, renewed to its former glory, the GRAND VENEUR MANSION is now ready to house a major company headquarters.





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THE WASHINGTON SUMMIT: Moscow Crowds Watch Highlights of Signing Ceremony via Satellite



Mikhail S. Gorbachev and Ronald Reagan matching smiles on Tuesday at the White House. Treaty will end a discussion that trust

Abroad: Anxiety, Cynicism and Optimism Mingle is usually referred to as "the Great Satan," the speaker of the parties

By Barry James ternational Herold Tribune

Crowds packed into a Moscow avenue Tuesday night to watch highlights of the U.S.-Soviet summit meeting on a giant outdoor screen. The pope prayed for the meeting, and residents near a Sicil-ian missile base celebrated the impending departure of 112 NATO cruise missiles.

The Paris newspaper Libération lapsed into Franglais to hail "Le New Deal" between the superpow-

After signing a landmark treaty eliminating a whole class of nuclear weapons for the first time since the dawn of the atomic age, Mikhail S. Gorbachev addressed his countrymen directly by television. People gathered in sub-freezing weather on the slushy sidewalk of Kalinin Prospekt near the Kremlin to watch the signing ceremony and the speech on a billboard-sized screen. Cars slowed or halted. Earlier, people stood in front of the screen and crowded into television stores to watch Mr. Gorbachev and President Ronald Reagan exchange speeches on the White

House lawn in a rare live broadcast

ern Europe. "The signing of the and lead to more stability and

for the last 10 years," the conserva- some editorialists. tive Frankfurter Allgemeine Zei-tung newspaper said in West Germany. dent Reagan stripping the ingene from a coy-looking maiden identi-fied as Europe. The cartoon was headed "Washington Circus."

Prime Minister Margaret Thatcher of Britain "had her special relationship to keep her warm' following Mr. Gorbachev's stop-over in Britain on Monday, said the Tokyo, the summit meeting com-bined "high hopes" with "anxiety" London newspaper The Indepen-dent. She took some credit for the treaty, telling Parliament "but for

the firmness of this country and NATO, this agreement would neter have been signed." But other Europeans apparently felt they had

East German, Yugoslav Welcome Arms Accord

Revers ment.' BERLIN — President Erich Honecker of East Germany and Prime Minister Branko Mikulic of Not all the reaction was so ency Xinhua said the summu was new round of hagging between ri-val superpowers." and the Kenya Times said, "What the world clam-time is reace, not spectacular thinking or expressions of goodcy Xinhua said the summit was "a Yugoslavia said Tuesday that they believed that the U.S.-Soviet arms deal would bring greater stability and trust to international relations. ors for is peace, not spectacular stage-managed shows."

The East German press agency ADN said the two leaders believed The Times of London warned that the intermediate nuclear forces against the "rise of hyperbole" sur-rounding the news agreement would "have a favorable rounding the signing of the INF everywhere, particularly in West-effect on the international climate treaty and said in an editorial: clear weapons now in place will

has concerned the Western alliance been left in the cold, according to investigation in place, and the East-West imbalance in conventional weap-The conservative Paris newspa- ons in Europe will stand out even

per Le Figaro published a cartoon showing Mr. Gorbachev and Presi-In Cairo, Salah Montasse more starkly than belote. In Cairo, Salah Montasser, a col-umnist for Egypt's main daily pa-per, Al Ahram, said Mr. Gorba-chev should get the Nobel Peace Prize but not Mr. Reagan. Mr. Reagan was "the last man to think of peace," said Mr. Mon-

For the Asahi Evening News of tasser, citing the invasion of Grenaabout the future course of disarmada, the hombing of Libya and the ment. But the newspaper added, "It sale of arms to Iran. But he added is heartening to see this sort of that the agreement would help Mr. common sense being reflected in Reagan "sail through the remainthe superpower accord to abolish ing year of his presidency and to intermediate-range nuclear forces. enter the museum of history." intermediate-range futures to sys-And even though these missile sys-tems form only a small part of the Paul II led prayers he said were "particularly fervent and insistent"

ered.

ment campaigners popped cham-pagne corks outside the Soviet and American embassies in London and demonstrated outside the Woensdrecht Air Force base in the Netherlands. In Spain, pacifists and a move

opment

ment seeking the withdrawal of American forces gave two cheer for the INF accord, and release world's nuclear arsenal, the accord "particularly lervent and insistent of the arsenal, the accord "particularly lervent and insistent of the accord still rates as one of the most signifi- for the success of the summit. Even 200 doves — grey, not white, a still rates as one of the most signifi- for the success of the summit. Even 200 doves — grey, not white, a still rates as one of the most signifi- for the success of the summit. Even 200 doves — grey, not white, a still rates as one of the most signifi- for the success of the summit. Even 200 doves — grey, not white, a still rate as the most significant of discourse in Tehrap where the United States match their cautious hopes. cant in the history of disarma- in Tehran, where the United States

ment, Hashemi Rafsanjani, called the treaty signing "a positive dent

Residents at Comiso in Sich hailed the INF agreement and sat the cruise missiles and American

crews stationed on their doorsten

had never brought the prospenty

they had hoped for. Peace move

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Not all the reaction was so en-

direction is within our power ments and systems - differences However, such change is not easy and can be accomplished only when leaders of both sides have no illusions, talk with candor, and will, no matter how sincerely delivmeet differences head-on...

On the table will be not only This uncomfortable reality need not be reason for pessimism, how- arms reduction but also human ever, it should provide us with a rights issues about which the Ame challenge — an opportunity to move from confrontation toward cooperation. Mr. Gorbachev, "Mir na nar rality that touch on the most base of human concerns.

smotrit," the world is watching. And we've got something to show I would hope we will also can didly discuss regional conflicts them. And over the next few days, it is my hope that progress will be The parties to these conflicts made toward achieving another . should negotiate solutions that is agreement that will lead to the cutstore the peace and advance the rights and freedom of the people involved. We cannot afford to view these as far-away brish fires. Even small flames risk larger conflaga; ting in half of our strategic nuclear Well, during the second World War, Soviet General, later Marshal, tions and undermine positive de-Chuikov, a fronthine commander, velopments between our two come liked to tell the story of a soldier who said he had captured a bear,

thes. and he was asked to bring it along. "I can't," replied the soldier. "The Americans believe people should be able to disagree and still respect one another, still live in peace with one another — that is the spirit, he Well, General-Secretary Gorba-chev, like the soldier in Marshal democratic spirit, that I will bring to our meetings. So, on behalf of myself and Mr Chnikov's story, our peoples for

Reagan, and on behalf of all the citizens of the United States, General-Secretary Gorbachev, Mrs. Gorbachev, welcome. The Associated Press

GORBACHEV: View of History

(Continued from Page 1) second World War. And it was in those same days, in 1941, that the rout of Nazi forces began near Moscow. That is symbolic. Those days mark the beginning of our common path to victory over the forces of evil in a war which we fought as allies.

too long have been both the mas-ters and the captives of a deadly

arms race. This situation is not preordained, and not part of some inevitable course of history.

We make history; changing its

bear won't let me."

History is thus reminding us both of our opportunities and of our responsibility. Indeed, the very fact that we are about to sign a ing to be scrapped, shows that at

Soviet foreign policy today is most intimately linked with peri-troika, the domestic restructuring of Soviet society. The Soviet people have boldly taken the path of radi-3.22 cal reform and development in a 1:2-5 spheres - economic, social, polifi 222217 cal, and intellectual.

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Democratization and glas are the decisive prerequisites for the success of those reforms.

Mr. President, ladies and gentle ry not only as allies in the battle :

We bring back fond memories.





crucial phases in instory, our two their high responsibility.

This will, of course, be the first nuclear annihilation. step down the road leading to a nuclear-free world, whose con- declare that we are prepared to go .: to which our two peoples and the ful power. Thank you. peoples of all countries aspire.

against Nazissi but also as nation nations are capable of shouldering that have paved mankind's way th safe world, free from the threat of z

struction you, Mr. President, and I all the way along our part of the discussed at Reykjavik. Yet it is a road with the sincerity and respon-great step into the future, the future sibility that befit a great and peace The Associated Press

ciety, and of his internal policies of

quility, saying that "in charting

ing and strengthening peace every

The remarks and a military #

view completed, the two leaders Set

SUMMIT: Leaders Sign INF Pact

where."

(Continued from Page I) U.S. agenda, which includes hu-man rights, U.S.-Soviet questions and regional conflicts. Of the regional conflicts, which U.S. agenda, which includes hu- glas man rights, U.S.-Soviet questions and regional conflicts.

include Afghanistan, the Gulf, to the need for international traitsouthern Africa, Cambodia and Central America, Mr. Reagan said: these ambitious plans the Soviat "We cannot afford to view these as people have a vital stake in preserving far away brush fires. Even small flames risk larger conflagrations and undermine positive developments between our two countries." Mr. Gorbachev, in a similar vein, said that "history is reminding us

turned around to the applause of several hundred invited spectators both of our opportunities and of and the blare of trumpets and of our responsibility." walked into the White House to For his part, he declared on bebegin their talks. Although the treaty eliminates USUIN half of the Soviet people that "we are prepared to go all the way along no more than 7 percent of the st-

our part of the road with the sincer-ity and responsibility that befit a great and peaceful power." perpowers' nuclear warheads, it could provide a model for a more complex and critical agreement of As did Mr. Reagan, Mr. Gorba- strategic nuclear weapons, propo chev spoke of the wide and intense nents say. differences between the two gov- It requires the two nations activdifferences between the two gov- It requires the two nations ach ernments and their societies. Mr. ally to destroy some existing math Gorbachev added, however, that siles. the wisdom of politics today lies For the first time, it permits in-

in not using those differences as a spectors from both sides to monitor the destruction of weapons and to set up checkpoints at missile pro-In addition to foreign policy, Mr. duction plants, to make sure there.

Gorbachev used the occasion of the is no cheating. arrival ceremony, broadcast widely It requires both sides to provide arrival ceremony, broadcast widely It requires both sides to provide throughout the world, to speak of more detail than ever before qu his hopes for perestroika, or the production, deployment and location domestic restructuring of Soviet so-

SCENE: Pageantry and Promises

(Continued from Page 1) tical to the ones worn by the president - which portray the prophet Isaiah beating swords into plowshares. Mr. Fitzwater said Mr. Reagan expressed hope that the sym-bolism would apply to the summit talks.

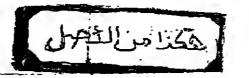
As he has before, Mr. Gorbachev looked intently at the Western cor-respondents who questioned him during the photo session and answered them at some length. He said "I have heard some new words in the president's welcoming remarks, and I welcome this." The two leaders met for 33 min-

note-takers and interpreters. They then called in their top lieutenants, who had been waiting nearby in the cabinet room. Mr. Reagan told aides later the first meeting had "no Later, the two leaders walked to-

gether down a red-carpeted fore to the East Room of the White House to sign the INF agreement The ceremony was celebratory. Mr. Reagan repeated the Russian say. ing "trust but verify" and Mr. Got-bachev retorted, "You repeat that at every meeting!"

The two leaders met for 33 min-utes alone, accompanied only by ter. "I like it." Mr. Reagan stid.

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THE WASHINGTON SUMMIT: Nancy Reagan Receives Raisa Gorbachev at the White House

Raisa's Day: A Breathless Race By Washington's Landmarks

Ms. Crispen also said both wom-

On Monday. Mrs. Reagan side-

ed States.

By Elizabeth Kastor

Washington Post Service WASHINGTON - The collectd public remarks of Raisa Gorbachev for Dec. 8, 1987, consist of the following statements made on the steps of the Lincoln Memorial: · Answering requests for a few words: "Tve got too little time." . • Answering queries of how she liked the United States: "Oh, it's

Jovely!"

• Commenting oo what she would like to see on her visit: "All of Washington."

She then rejoined Helena Shuliz, wife of the U.S. secretary of state. the intermediate-range missile acin their motorcade and proceeded to see not all but some of Washing-ton at a pace definitely surpassing the speed of effective tourism. cord in the East Room later in the Highly placed sources disclosed that Mrs. Reagan wore a brown Bill

Blass dress trimmed in leather. Mrs. Gorbachev's outfit has been Her day began with the arrival. ceremony at the White House, where journalists attempted to described simply as a white-two gauge the relative warmth of her piece dress. relationship with Nancy Reagan — who was upset by Mrs. Gorba-chev's tardiness in responding to her invitation to tea and has report-Ms. Crispen said Mrs. Reagan described the reception as "very pleasant" and quoted her as saying Mrs. Gorbachev was "very nice." edly found Mrs. Gorbachev uninterested in talking about drug abuse and children. The chief meastepped questions about reports contained in a book written by sure of the relationship was the Larry Speakes, a former White distance between the two women, House spokesman, that Mrs. Reaboth clad in fur, as they listened to gan and Mrs. Gorbachev do not get

their husbands speak. along. The two then adjourned to the Asked Tuesday if "they like each other better," Ms. Crispen replied: White House's Green Room, where they indulged in tea, coffee, orange "No one said they didn't before." juice and very small pastries along

Gennadi 1. Gerasimov, a Soviet "busy," but he provided oo details Jack F. Matlock Jr., the U.S. amof her schedule. "She will be invited bassador to Moscow, and Liana Dubinin, wife of Yuri V. Dubinin,

the Soviet ambassador to the Unit- and other social engagements," he

ed States. Over the next 20 minutes, they had a wide-ranging discussion of the history of Washington, the his-tory of Russia (Elaine Crispen, her press secretary, said Mrs. Reagan found this very interesting), the weather, and where Mrs. Gorba-chev should go on her trip through the city with Mrs. Shultz. Ms. Crimme also said both som-Asked if she will go shopping, as she did on her first trip to Britain, Mr. Gerasimov said: "It's oot on the program. Her program is so right, she will have no time." But there was talk of visits to a

Page 5

shopping mall and the fashionable Neiman-Marcus department store, but in the end Mrs. Gorbachev spent her few free moments speed-

ing past Washington landmarks while disappointed Raisa-watchers stared as the Zil limousine vanished expressed "hopes for peace in their countries and the world." The two later had an opportunity to continue the discussion when they into the distance. She made a brief stop at the met while their husbands signed

Jefferson Memorial, where she and Mrs. Shultz remained at the bottom of the steps, far from the statue and the press corps waiting at the top of the steps

To urging from reporters, Mrs. Gorbachev made her few comments, leading reporters who remembered a more voluble woman from last year's Iceland summit meeting to speculate that perhaps negative reaction to her visibility in her own country was having its effect,

At the Albert Einstein statue on the grounds of the National Academy of Sciences, a score of journal-ists awaited her promised arrival. Soviet and U.S. scientists meeting inside emerged coatless on short notice and waited with the rest while a few of the men in trench coats surveyed the scene.

They got cold. They went back inside. Then they came out again. spokesman, had said at a briefing Sirens were heard. Cameras were that Mrs. Gorbachev would be readied. The White House advance man was prepared. Black car after black car appeared. There! There! to tea parties at the White House A woman in a fur coat!

Mingle Soviet Says Air Power Should Be **Should Be** Negotiated

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By Michael R. Gordon New York Times Service WASHINGTON — A senior Soviet military official has sharply criticized the new American ap-proach for reducing conventional arms.

arms. In the first official Soviet re-sponse, Colonel General Nikolai F. Chervov said the U.S. approach was seriously flawed because it did not include tactical aircraft or heli-Is of Welcome North Atlantic Incasy tion held an advantage. This is the wrong / This is the wrong / copter gunships, areas in which General Chervov asserted that the North Atlantic Treaty Organiza-

"This is the wrong approach," General Chervov, the head of the arms control directorate of the So-viet General Staff, said in an interview.

The United States is consulting with its NATO allies on what proposal to make in talks that will be held next year on conventional arms in Europe, from the Atlantic to the Urals.

Those talks have assumed special importance because of the treaty banning medium- and shorterrange missiles, signed in Washing-ton on Tuesday by President Ronald Reagan and Mikhail S. Gorbachev. Critics have said that the missile treaty will leave the Warsaw Pact with an advantage in conventional arms while the West's nuclear deterrence is reduced. The Reagan administration says it will try to rectify this imbalance in the new talks.

Under the American approach, Soviet-bloc nations would have to reduce the number of their tanks and artillery pieces to match NATO - a cut of more than 50 percent for the Soviets. No limits would be sought on

tactical, or attack, aircraft, an area where NATO has a technological advantage. "They would only like to deal

a Salar and with land armed forces and tanks only," General Chervov said. "But surely this is not a fair approach. Naturally if we are willing to re-duce the number of our tanks, then NATO should be willing to reduce : Fiew of Hig the number of aircraft."

He added that helicopter gun-ships as well as planes should be 100 100 included. Tati Ta General Chervoy asserted that

NATO had a "qualitative and quantitative" advantage in strike aircraft and helicopters.

But Reagan administration offi-



Flanked by their husbands, Nancy Reagan and Raisa Gorbachev shake hands at the White House on Tuesday.

SUMMIT BRIEFS

South African Paper Warns Reagan

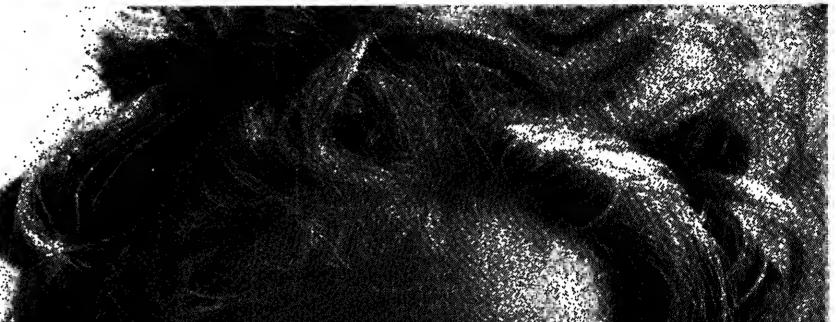
CAPE TOWN (Reuters) - The newspaper closest to the South-African government has warned President Ronald Reagan in an unusually disparaging editorial against making a deal with the Soviet Union on Angola, where about 35,000 Cuban troops are supporting the Marxist government.

The paper, Die Burger, said Monday that Mr. Reagan had promised to raise the question of Soviet involvement in Angola at his summit talks with the Soviet leader, Mikhail S. Gorbachev.

It warned the leaders that "as previous attempts have shown," any agreement on southern Africa that does not take account of South Africa's prominence as a regional power, as well as of its vested interests, has scant chance of success. The editorial added that it would be dangerous for South Africans "to rely too much on the renewed anti-Communist resolution of President Reagan. Especially when, as now, the United States' own interests are at stake."

Pravda Says Soviet-U.K. Ties Improve

cials disputed this assessment. MOSCOW (Renters) - Pravda, the Soviet Communist Party daily, They said that NATO and the War- said Tuesday that Soviet-British relations had improved, and it praised saw Pact had roughly the same Prime Minister Margaret Thatcher of Britain. oumber of attack aircraft. Officials On its front page, the newspaper carried a picture of Mrs. Thatcher also asserted that the Warsaw Pact with Mikhail S. Gorbachev, the Soviet leader, during his stopover



with Barbara Bush, wife of Vice President George Bush; Helena Shultz; Rebecca Matlock, wife of

also asserted that the Warsaw Pact had more bombers and intercep-1. tors. And they argued that the Wara tang syaart saw Pact had more armed helicop-Sters than NATO.

General Chervov said that the two sides should approach talks by first trying to "identify the imbal-ances." After that the two sides should see "what should be traded "off for what."

Charles H. Thomas, a senior State Department official, told re-porters that he did not expect the subject of conventional arms to be a central issue at the Reagan-Gorbachev summit meeting since NATO and the Warsaw Pact had not yet developed formal positions and the general procedures for how to carry out the talks has not yet been worked out. But he did not exclude the possibility that it could be raised at the summit meeting. Mr. Thomas said that he did not expect the top Soviet negotiator on this issue to attend the meeting.

General Chervov said that the issue of conventional arms would probably be raised. "We would like our two leaders to find common ground on this particular question at the meeting here," he said.

Monday in Britain on his way to Washington for the U.S.-Soviet summit meeting.

The report said Mr. Gorbachev's talks with Mrs. Thatcher had been conducted "in the usual frank, friendly and open manner," and noted that relations between the two countries had improved in recent years. "In this process," Pravda said, "considerable value and importance is attributable to the constructive position taken by Margaret Thatcher all these years, despite the natural differences existing between our states."

At Dinner, Stars but No Ex-Presidents

WASHINGTON (UPI) — Stars from Hollywood and the worlds of music and sports were on the guest list for the White House state dinner Toesday night for Mikhail S. Gorbachev and his wife, Raisa, Notably absent were the three living former U.S. presidents: Richard M. Nixon, Gerald R. Ford and Jimmy Carter.

The 126 guests invited included the actors Jimmy Stewart and Clandette Colbert, the musicians Mstislav Rostropovich and Zubin Mehta, the athletes Chris Evert and Mary Lou Retton and the evangelist Billy Graham. Van Cliburn, who in 1958 became the first American to win the Graham. Van Chourn, who in 1550 became the hist American to will the Tchaikovsky piano competition in Moscow, was to play after dinner. In a departure from tradition, "because of the history-making nature of the event," a White House official noted that President Ronald Reagan and his wife, Nancy, would attend a dinner given Wednesday night by the Gorbachevs at the Soviet Embassy. Ordinarily Vice President George Bush would attend such a dinner.

For the Record

Prime Minister Noborn Takeshita of Japan said Tuesday in Tokyo that he welcomed the U.S.-Soviet arms agreement, adding that he hoped the superpowers also would make progress toward the reduction of strategic

ouclear weapons. (AFP) Foreign Minister Alois Mock of Austria welcomed the U.S. Soviet ouclear missile treaty on Tuesday as a political signal for further disarma-ment in the areas of conventional and chemical weapons. (Reviews) Mikhail S. Gorbachev topped President Ronald Reagan in popularity among West Europeans questioned in an NBC News poll on the eve of the summit meeting, the network said Monday. It did not say how many people in Britain, France and West Germany were polled. (Reuters)

(Continued from Page 1)

missiles as "the most stringent in history."

ALLIES:

Dutch Decision

Foreign Minister Joe Clark of Canada, visiting Oslo, rejected fears by Norway that the treaty might be followed by a buildup of sea- and airborne nuclear missiles on NATO's northern flank.

"I don't think the INF pact cre-ates a particular vulnerability on the northern flank," he said. But it is possible, he added, that Canada may have to consider building up or modernizing its 85,000-member

President François Mitterrand of France, whose nuclear strike force is not affected by the treaty, urged the superpowers to prevent

an arms race in space. "The strings of satellites around and above our heads, passing their time watching what you do in the garden, are there to intervene at any moment to destroy." he said in a speech. "If we do not disarm, then we must arm in this fashion,

and it will ruin us." Prime Minister Jacques Chirac of France said the treaty will be positive "if it is followed by other agreements that permit strengthening of security of the world and of

Europe. A treaty limiting strategic, or

long-range, weapons, "that, yes, would be historic," Mr. Chirac said in a television interview. (AP, Reuters, AFP)

(Continued from Page 1) Senator Bob Dole, is trying to re-main uncommitted as long as pos-referring to the 1979 strategic arms sible, a tactic that makes him a treaty, which was stalled for more prime target for the conservative than four months in the Foreign Republicans who oppose the agree- Relations Committee. ment.

are likely to oppose the treaty.

The Associated Press

diato-range nuclear missiles.

Although many of its provisions. One conservative said of Mr. and the verification details have Dole: "He needs to know that if he been disclosed, senators will not opposes the treaty even a little bit see the final text until later this he will maintain the support he has week. Hearings in the Foreign Re-courted. If he cuts a deal with the lations, Armed Services, and Intel-administration, not only will he ligence Committees will not begin

lose the conservatives, but he will until mid-January. "The important count is not how So far, only three Republican senators - Jesse Helms of North many votes there will be for it, but how many votes there will be to withstand killer amendments," said Carolina, Steven D. Symms of Ida-ho, and Larry Pressler of South Dakota — have indicated that they Senator Alan Cranston of California, the chamber's second-ranking Democrat. "Killer" amendment But strategists are hoping to ex-ploit the concerns of more moderare those that would so substantially alter the treaty that it would have ate senators to prolong the approvto be renegotiated with Moscow.

While 67 votes are required to Our game is delay it and keep it approve the treaty, only 51 are needed to amend it. Mr. Cranston estimated that 10 to 20 senators 200 in Madrid Celebrate Pact might vote against it and 50 seemed

inclined to vote for it. MADRID -- An estimated 200 The State Department, which is MALIAID -- An estimated zoo The State Department, which is pacifists gathered in the Spanish consulting with senators who ex-capital Tuesday to celebrate the pect to offer amendments or reser-signing in Washington of the U.S.-Soviet accord to eliminate interme-ting action of the balls of potential amendments that

fall into the killer category.

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But how attractive will her pension be?



SENATE: Pact Approval Expected

AMERICAN TOPICS



PIZZA TO GO, TO MOSCOW - Louis Plancone Sr. standing in front of an oven-equipped pizza van that will be sent from New Jersey to the Soviet Union in Jann-

Retirees Resettling In College Towns

Retired people in the United States are beginning to bypass retirement villages or Sun Belt resorts in favor of taking up residence in college towns where. The New York Times notes, "the life is full and bousing is often reasonably priced."

When John K. Kittredge retired last month as an insurance executive, he and his wife, Betty, sold their house in Summit, New Jersey, and moved to Chapel Hill, North Carolina, home of the University of North Carolina, although they had no ties there.

"We wanted a temperate climate with fewer people than the New York area but also wanted to avoid the golf and tennis communities that are basic for retired people," Mr. Kittredge said. "But what we especially wanted was a place that offered a wide choice of cultural events as well as good shops and restaurants, and a college town was perfect."

Retired people also find that

er bousing than the places they leave, as well as stable, middle-class populations and low crime rates. Many have excellent hospitals affiliated with the local medical schools, a matter of particular importance to the elderly. But the retirees have driven up

housing prices. "We welcome them all," said James O. Freedman, president of Dartmouth College in Hanover, New Hamp shire, "but they have made it all but impossible for junior faculty to find affordable bousing near campus.

Short Takes

The New York City Landmarks Preservation Commission has been moving rapidly to protect the theater district, which is

growing more hospitable to 40story office towers than 1,000seat playhouses. A month ago, six Broadway theaters had landmark status. Now that figure is 21 and climbing. The designation means a building may neither be torn

down nor substantially altered college towns usually have cheap- unless the owner can prove eco- did real well outside," a spokes-

nomic hardship. Not all theater | woman said, "but in a small place he just couldn't work." owners are happy about their landmark status, although in gen-eral they can sell "air rights," the

ary. Mr. Piancone's company, Roma Food Enterprises

of Piscataway, received permission to sell pizzas on the streets of Moscow under the trade name Astro Pizza.

unused development potential At Northwest, a Foot represented by their buildings, to Is as Good as a Mile developers of adjacent properties.

Northwest Airlines mechanics Christopher Aaron had his picat Detroit Metropolitan Airport ture taken standing in front of marijnana plants on his property near Walled Lake, Michigan. The drugstore where he took the film have been told to push passenger planes that are loaded and ready for departure a foot (30 centimeters) or more away from the gate. to be processed notified the potechnically increasing on-time lice. Mr. Aaron, 28, his girlfriend performance. In October, the fedand four neighbors were arrested eral government ranked Northafter state troopers found about west's departure performance as 80 pounds (36 kilograms) of maramong the worst in the United ijuana in garden patches near States

"This will get us on-time departures," a company memo said. A company spokesman declined to say whether the rule was in Shorter Takes: Firefighters in Rowland Heights, California, re-turning from a blaze, found that force at other Northwest termi-

nals. an electric stove had been left on "This is an effort by Northwest and had set fire to their firehouse. to make its on-time performance Damage was estimated at \$250,000. • Lord, a German look good," said Con Hitchcock, an associate of Ralph Nader, the Shepherd who worked with the consumer advocate. "They can say they left the gate on time, but Shreveport, Louisiana, police, has been laid off because he sufcouldn't get off the ground." fers from claustrophobia. "He

-ARTHUR HIGBEE



their two houses.

Managua Seizes U.S. Pilot Tied to Contras du Sed Lis United Press International MANAGUA – Nicaragnan Supplies to the contras and used Lis airplane to rush wounded rebels to the route originated in El Salvador. dointe character and the salvador.

forces shot down a small plane near the Costa Rican border and captured an American pilot linked to the U.S.-backed rebels, the Defense

Ministry said Tuesday. The ministry said the Cessna-172 was hit Sunday night near San Juan del Norte, about 200 miles (about 320 kilometers) southeast of Managua along the Caribbean coast and next to the border of Costa Rica. The gas tank was pierced, it said, and the plane was forced to land

and the piloi was captured. Radio Sandino identified the pilot as James Jordan Denby of Illinois. Relatives in Illinois confirmed that Mr. Denby is a farmer from Cartinville.

Mr. Denby, in an interview in June with the Springfield State Journal-Register, said he was part of a network of private U.S. citizens who for years belped carry out the Reagan administration's Central American policy.

"None of this was secret," Mr. Denby said. "It was common knowledge."

In the interview, Mr. Deaby said his 700-acre (about 285-hectare) farm in Costa Rica near the Nicaraguan border has at times been home to hundreds of Nicaraguan rebels commonly known as con-

tras. Radio Sandino quoted the Defense Ministry as saving that Mr. Denby would be presented to the media later, an indication that he race wide open. was not seriously injured. He was

alone when the plane was show down, officials said. A U.S. Embassy official said the ministry had confirmed it was holding an American. He said the embassy was "in the process of

seeking access" to the captured pi-In the June interview, Mr. Denby said he airlifted military

New York Times Service

NEW YORK - New York City officials and NBC announced

Tuesday that they had reached

agreement on a plan to keep the network in Rockefeiler Center, its

Manhattan headquarters for more

The plan, subject to approval by

a city agency, includes a tax break

that will save the network at least

\$72 million in real-estate taxes over

35 years and provide it with \$800

million in partly tax-exempt bonds.

It would also freeze land taxes, for-

give part of the commercial rent tax

and free NEC from paying city sales taxes on at least \$1.1 billion in

new machinery and equipment it needs to update production opera-tions at 30 Rockefeller Plaza.

than 50 years.

Costa Rican hospitals. He said he and ended in Costa Rica. Carlos Guadamus, director of knows contra leaders and U.S. intelligence operatives.

Voz de Nicaragua, said some of the documents captured from Mr. Denby, 57, linked him to U.S. con-Mr. Denby also said he was a friend of John Huil, a wealthy gressmen involved in supporting the contras, who are fighting to American rancher in Costa Rica who was mentioned in the Irancontra hearings as having cooperat-ed closely with Reagan administraoverthrow the Sandinists. In Carlinville, halfway between

tion officials aiding the rebels. SL Louis and Springfield, Illinois, a La Voz de Nicaragua, the gov-ernment radio station, said Mr. woman who answered the phone at the Denby residence said the pilot Denby had flown "many missions" into Nicaragua and was flying on was her husband "All I know is what I saw on the same route as that used to drop supplies to contra units inside Nicaragua. The radio did not cite its source for the information but said

Another American, Eugene Bassis sin, was captured and convicted by the Sandinist government last year after a rebel supply plane was stor down by Sandinist troops. Testimony by Mr. Hasenfre and

documents captured from the G 123 cargo plane, which was downed, Oct. 5 last year, revealed a complicated clandestine supply network, for the rebels allegedly set up by the Central Intelligence Agency, with a safe houses in El Salvador, several a aucraft and several dozen employ-TV," she said, refusing to give her ees, including pilots. He was international inst name. Asked where her hus- pardoned and returned to the Units band was going and what he was ed States.

Florida Senator's Decision Not to Run Could Threaten Democrats' Majority

New York Times Service

WASHINGTON - The decision by Senator Lawton Chiles of Florida, a three-term Democrat, to pull out of his race for re-election next year could make it more difficult for his party to retain its narrow hold on control of the U.S.

His announcement Monday, yet another signal that the Senate is becoming a less popular place to work, throws the Florida Senate

In the announcement, which surprised his colleagues in Washington and his supporters in Florida, Mr. Chiles cited a loss of enthusiasm for the Senate. Mr. Chiles, who is chairman of

the Budget Committee, is the sixth incumbent to announce his retirement this year. Half of them have cited the frustrations of working in

Mr. Chiles, according to aides, White House, which produced a role, Mr. Chiles said: "It was the smaller deficit-reducing package

than he had wanted. Mr. Chiles, 57, already had announced his plans to seek re-election, had raised \$1.3 million and was favored to win. He had begun a walking tour of Florids, the trademark of his three previous campaigns. He said he began to doubt les's seat was considered relatively safe, and now Florida Republication will have a better shot at it. Sunday

"There was just a different feel-

the Senate. Senators complain of Senate. What that inner voice mid rules that make it hard to get any- me was, it was time to serve out the thing done and work that plays 18 years and move over to let some havoc with members' private lives. one with the enthusiasm and zear take over.' was especially worn down by the When asked if the negotiations recent budget negotiations with the on the budget compromise played.

horrendous year. Maybe I put more on my plate to start with than] ; should have."

The Democrats control the Sea ate, 55-45. The Chiles announces ment means three Democrats and three Republicans will retire ating next year's elections. But Mr. China

One Republican, Representative Connie Mack 3d, already had any ing out there when I walled this nonneed he was running for their time." he said. "I wasn't kooking seat. But Mr. Chiles's withdrawate: forward to another six years in the may draw others into the race.

> sores on skin migrate into the body through nerves. sores on skin migrate into the body through nerves.

called ganglia. There, the genes of the virus, made

of DNA, enter the nucleus and behave like human

When the viral genes are somehow activated, they direct the synthesis of "messenger RNA," a massenger RNA," a massenger RNA," a massenger RNA," a massenger RNA, " a massenger RNA, " a massenger RNA," a massenger RNA, " a ma

transcription of DNA's message which travels out-

side the nucleus and directs the manufacture of

new herpes viruses. The new viruses travel back to

Most of the time, however, the viral genes are dormant. Dr. Kenneth D. Croen, a virologist at the

institute, wondered why and speculated that if he.

could find out, it might suggest a strategy for .

eeping the virus permanently switched off. Dr. Croen and his colleagues believe the virus

carries its own enforcer of dormancy in the way its

DNA is built. This suggests it might be possible to

a harmless virus to promote domancy.

make a vaccine that would infect human cells with

the skin and make new sores.

Way Envisaged to Keep Herpes Inert **NBC Plans to Stay** At New York Site

By Boyce Rensberger

Westington Post Service WASHINGTON - The discovery by medical researchers of an important clue to wby herpes infections stay dormant most of the time suggests it may be possible to develop a vaccine to prevent new infections and to make existing ones permanently domnant.

There is no known cure for the herpes virus; once infected, a person retains the virus for life with recurring outbreaks.

The research, done at the National Institute of Allergy and Infectious Diseases in Bethesda, Maryland, was published in last week's New England Journal of Medicine.

The ability of the herpes virus to lie dormant for long periods and then flare up again, a phenomenon common to some other viruses, has long puzzled virologists.

It is known that some of the viruses in herpes

Less expensive real estate and lower taxes outside of New York City had been a lure to NBC -- and AIDS Kills Canadian Acupuncture Patient a challenge to Mayor Edward I.

Koch. The mayor has seen a mun-Reuters

In a circular distributed to Cana- name, was not in any of the known² dian citizens in the Chinese capital, high risk groups for Acquired Im² ber of large companies leave New BELIING - A Canadian who York this year, and he had made died of AIDS after recently return-ing home from Beijing appeared to of the dangers of acupuncture in "Although we cannot be absource and the clear that he did not want NBC, a ing home from Beijing appeared to have caught the disease as a result procedure was not assured. of the dangers of acupuncture in places where the sterility of the intely sure about the exact source in procedure was not assured. of the infection," it said, "circum?" subsidiary of General Electric, to ioin them. of acupuncture treatment 20 It quoted the Canadian govern- stantial evidence tends to incrimi? BUCHWALD months before, the Canadian Emment bealth authority as saying nate acupuncture procedure under that the victim, whom it did not taken about 20 months before. TEVERYTUESDAY AND THURSDAY. PARABLE BARES FROM AMERICA'S FOREMOST HUMOREST NTHERITEV bassy said Tuesday. LOW COST FLIGHTS CHRISTMAS GIFTS **INTERNATIONAL CLASSIFIED** ACCESS VOYAGES The INTELIGENT Christmas Gift. (Continued from Back Page) High will remember of year. FUROPE INTELLIGENCE westly mogazine of European opin See Thursday's back page. Enquinit Herengrach 560, 1017 CH Anstendi Tel: 31.20-382181 Tbx 12405 Fax 2266 One Way F 11500 F 1500 F 1600 F 1400 F 1495 F 1495 F 1495 F 1300 F 7955 F 7395 F 7395 F 7395 Round Trip F2000 F3600 F3600 F3000 F3000 F3000 F3000 F3000 F3000 F1605 F3980 F6990 F6990 F7390 New York San Francisco Los Angeles Allorato Dallos Dallos Dallos Meam Boston Meam Boston Meam Montreal Toronto Colgany Vancouver Jakarta Boh Tokyo LOW COST FLIGHTS LEGAL SERVICES AUTOS TAX FREE AIRHITCH COMES TO EUROPEI USA anytime, 5160 or less, cast acast, 5269 west acast, 5229 anywhere eta, Parts 103 ne La Boetia (a few yords from On Eysces) Tel (1) 42691081. 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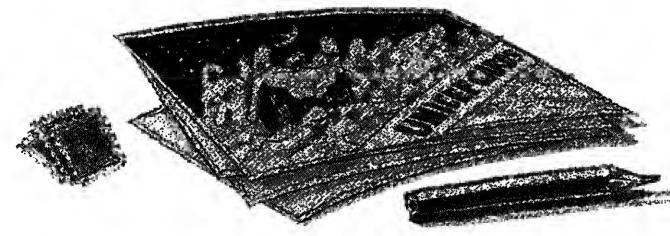
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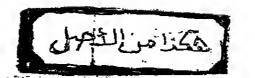
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Children Count on Us. Can We Count on You?



Effort to End Cambodia War **Appears to Face Big Hurdles**

By Michael Richardson onal Herald Tribune

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SINGAPORE - Playing down the optimism surrounding recent Cambodian peace talks in France, diplomats and other specialists on Asia said Tuesday that attempts to settle the guerrilla war in Cambo-dia faced obstacles similar to those that have impeded efforts to end the fighting in Afghanistan. "The real crunch will come in the so far promoted settlements in Af-

next round of talks," said Moha-mad Ayub, research fellow at the Institute of Southeast Asian Stud-ies in Singapore. Those talks, he cald which are due to the talks, he said, which are due to start in January, will have to deal with the timing and conditions for withdrawing Vietnamese forces from Cambodia. They will also have to deal with tuture political arrangements in the country, including power sharing its allies." between rival Communist and non-Analys Communist factions in a coalition sisted that

State State ----Section and government. In an interview, Mr. Ayub, a spe-ialist on regional security, said, "As we have seen in Afghanistan, major difficulties have arisen over timing and terms for a pullout of

Soviet troops and the kind of na-tional reconciliation government to be set up in Kabul." CLASSING STREET In an effort to end the long-running Cambodian conflict. Service Denarate a said Prince Norodom Sihanouk, a former ruler of the country, held three ----days of informal talks last week at the village of Fere-en-Tardenois, outside Paris, with Hun Sen, prime minister of the Phnom Penh gov-Ca Revela Services . ernment.

Prince Sibanouk and Mr. Hun Sen agreed to some general principles and a broad framework for a settlement, but their joint commu-niqué said nothing about political arrangements or a Vietnamese withdrawal.

The government in Phnom Penh was set up after Vietnamese forces entered Cambodia in December 1978 and drove out the Khmer Rouge regime. Hanoi said the Khmer Rouge, acting as an agent of China, had repeatedly attacked Victnamese territory and was re-sponsible for the deaths of hundreds of thousands of Cambodians.

Prince Sihanouk took a leave of in a stand of absence in May from his post as president of the anti-Victnamese - A a chief ebel coalition after accusing the Khmer Rouge of human rights vio-lations and of killing some of his guerrillas in Cambodia.

Diplomats said Tuesday that reservations about the talks in France by leaders of the Khmer Rouge and its chief patron, China, would have to be overcome before the way would be open for an overall settlement

Analysts said big-power rivalry and manenvering complicated prospects for a Cambodian settle-ment. Last Friday, Deng Xiaoping.

national relations at the London School of Economics and Political Science, said Tuesday by telephone that Moscow was not happy about The Khmer Rouge fields the the financial or political costs of the Cambodian conflict.

The Soviet Union, he said, wants a settlement to improve relations with China and non-Communist said in October that Vietnam, not

and that only a handful of the most

Rouge and the Khmer People's Na-

faction in the Cambodian rebel co-

to join the next round of discus-

sions, which are due to be held in

France in January, before a real

But Son Sann, leader of the front

negotiating process could begin.

would be excluded.

the regime in Phnom Penh, should negotiate with the rebels. China said Monday that it reghanisten and Cambodia that spected and supported Prince Siha-nouk's efforts to seek a political settlement in Cambodia. would give only token participa-tion to moments in ruling Com-But the statement by the Foreign Ministry in Beijing also said that "the key" to a settlement was the

Kabul and Phnom Penh. Mr. Ayub said Moscow wanted to "defuse the problems it faces in withdrawal of Vietnamese troops Afghanistan and Cambodia withfrom Cambodia at the earliest date. out giving up what it sees as vital interests of the Soviet Union and Sukhhumbhand Paribatra, director of the Southeast Asian Security Studies Program at Chulalongkorn Analysts said Vietnam had in-University in Bangkok, said China

could sabotage any Cambodian settlement is disapproves of by con-tinuing to funnel arms, equipment sisted that any Cambodian settlement contain guarantees ensuring the survival of the Pinnom Penh government in a dominant position and other aid to Khmer Rouge and preventing the Khmer Rouge guerrillas in Cambodia. from recapturing power. The Pimorn Penh government said to October that it was pre-He said Thailand, which shares

border with Cambodia, would also need to endorse a Cambodian pared to meet its rivals for talks agreement

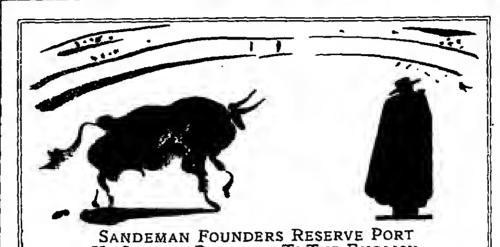
Prince Sihanouk quoted Mr. Hun Sen as saying Thursday that Vietnam was ready to withdraw as early as 1988 if Cambodia's rival notorious Khmer Rouge leaders Diplomats said the Khmer factions patched up their differtional Liberation Front, another

The Prince said he had rejected an offer of a high-ranking position alition, would have to be persuaded in the Hun Sen government. But he said he was willing to return as head of a Cambodian state run by a government made up of his three-party coalition and Mr. Hun Sen's grou

and prime minister of the rebel This Cambodia," the prince coalition, appeared reluctant to said, "would be neither Communist join the talks. He said in Paris on Saturday that the rebels should take advantage of Vietnam's eco-nomic difficulties by continuing to fight for a complete withdrawal of nor socialist but run under a parliaits troops. Western officials esti- country free of foreign troops."



NOT PACIFIC - French policemen fighting with indigenous Melanesian demonstrators Tuesday outside the Magenta stadium in Noumea, New Caledonia, where the French minister of overseas territories, Bernard Pons, was opening the 8th South Pacific Games.



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ure Patient China's elder statesman, rejected in offer by Mikhail S. Gorbachev, the Soviet leader, for a summit ಂದ / ಚಿತ್ರಾ

Quoted by the Xinhua press sency, Mr. Deng repeated China's position that before a Chinese-Soviet meeting could be held, Moscow must urge Victuam to withdraw its forces from Cambodia. Referring to extensive economic and military aid given by Moscow, Mr. Deng said that "without Soviet assistance, Victnam could not fight a single day" in Cambodia. The United States has also been,

pressing Moscow to end support for the Vietnamese occupation of Cambodia. President Ronald Reagan said he would raise the issue with Mr. Gorbachev in their talks this week as well as the Afghan conflict and other regional conflicts involving the Soviet Union. Michael Leifer, reader in inter-

Bill Widens TV Controls In Malaysia

KUALA LUMPUR, Malaysia The Malaysian information minister has gained the power to control-all national radio and television programs in a law passed by parliament on Monday, according to the national news agency, Bernama.

The news agency quoted the minister, Datuk Mohamad Rahmat, as telling Parliament that the bill was necessary to create "a unit-ed, stable and successful society loyal to the king and country". The bill allows the minister to

monitor all programs to ensure they are consistent with govern-ment policy, the agency said. He will have the power to revoke the broadcasting license of any station ruled to be in violation of the law. Malaysian reporters said the law

would make the media extremely careful about program content. The bill appeared to be aimed at Western programs that Mr. Moha-thad said "contain elements that can pollute Malaysian cultural val-ues and the Malaysian society if care is not taken."

- The Malaysian Parliament tightened press laws last week. In October, the government closed three leading newspapers, accusing them of fomenting racial discord, and banned political rallies during crackdown in which more than 100 were arrested.

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WEDNESDAY, DECEMBER 9, 1987

ultimate goal (abolition of nuclear weapons), a path to follow to the

standards for measuring progress (success in developing the defensive weapons, success in dismantling the

was technically possible. Even the

head of the SDI organization, Licu-

tenant General James Abrahamson,

has said that "a perfect astrodome is not a realistic thing." Meanwhile, the Soviets were re-

jecting SDI as a "trick" designed to give the United States a first-strike capacity. The United States, they said, wanted to be able to launch a



The Grievance Is Real

Glassest or no, Soviet citizens attempting a peaceful human rights protest in Moscow on Sunday got the familiar pre-Gorbachev bullying by KGB goons, who also roughed up tel ision crews and for hours detained Peter Arnett of the Cable News Network, In Washington, meanwhile, an unexpected outpoming of 200,000 people peacefully filled the Mail to form a human petition on behalf

Page 8

of emigration rights of Soviet Jewry. The contrast cannot be ignored by Mikhail Gorbachev if he hopes to understand Americans. The right to petition is fundamental, enshrined in a Constitution that Americans care about deeply. They also care deeply about the right to emigrate —as Soviet Jews, political dissidents, Pentecos-tals, ethnic Germans and a host of others vainly clamor to leave. The sentiment is not feigned or fabricated to embarrass Mr. Gorbachev. It is rooted in America's experience as mother of exiles, a point Mr. Gorba-chev seemed to grasp in his television inter-view last week with Tom Brokaw of NBC.

Yet the Soviet leader went on to say that the fuss over Soviet Jews was really about a "brain drain," an effort by the United States to lure away scientists and doctors trained at Soviet expense. The same bizarre theme has now been repeated, and inflated, by the Soviet spokesman Gennadi Gerasimov, To him, the problem is that the United States will let in some people but not others. "I could say what about Mexican immigration to this country? What about the wetbacks?" Surely Mr. Gorbachev and his colleagues appreciate the difference between in and out. The demonstrations against Soviet human

rights behavior protest Moscow's refusal to in the stands of people out. No people are innown to be protesting, in Mexico or else-where, Soviet unwillingness to let them in. Mr. Gorbachev may not know that sym-

pathy for Russia's persecuted Jews first welled up in American newspapers in 1820. Reaction to further persecution inspired panitive proposals in 1879 and protest rallies in 1882. A succession of grisly pogroms emsed Congress in 1911 to try to abrogate a commercial treaty with Russia. This sympathy extended to political offenders, whose plight was described in "Siberia and the Exile System," an 1891 expose by George Kennan, a relative of his modern namesake Under Mikhail Gorbachev, Soviet officials no longer refuse even to discuss human rights. They have freed well-known prisonrights. They have freed well-known prison-ers. Siberia, they say, will no more be used as a place of punishment. They promise new procedures. All of this is important, but falls far short of compliance with Soviet pledges in the Helsinki accords and the UN Declaration of Human Rights to allow citizens freely to leave their country.

Failing that, the campaign must contin-ue. It does no favor to Soviet victims to make their deliverance a condition for next steps in controlling weapons that threaten all humanity. Indeed, arms and other agreements can help create conditions for open-ing doors. But if Mr. Gorbachev is serious about nurturing a new relationship with the United States, he needs to heed the grievances that brought 200,000 people to the Washington Mall on a cold December day. -THE NEW YORK TIMES.

Save the Midgetman

Political accident puts a crucial weapons vote, on the Midgetman missile, on the Sen-ate calendar just as Mikhail Gorbachev is in Washington. The vote makes plain that the nuclear universe in which the two great pow-ers live will be shaped as much by decisions each makes separately about forces that are permitted as by decisions they may make together about forces that are banned. Making the distinction between weapons that should be reduced and controlled and those that should not is the essence of sound policy.

The mobile single-warhead land-based Midgetman is meant to replace the obsolete, vulnerable silo-based Minuteman and per-haps to complement the new multiwarhead. MX. Small and hard to target, Midgetman could be expected to survive a first strike. Confident that it was available for use later, the American command would not have to fire it off "on warning." before it knew what was going on. Hence it fits well a strategy based on deterring nuclear war, and it is a good weapon to firm up strategic stability as

arms control takes the raw numbers down. But the Reagan administration has equivocated on Midgetman. Under congressional pressure it has been developing the mis-, but in the negotiations on strategic arms it has sought to ban it and its Soviet counter-

part, the SS-25. Why ban weapons that strengthen deterrence and stability? Because, the argument goes, the Soviets are ahead in "mobiles," because Soviet mobiles are hard to hit, and because it would be hard to verify just how many had been deployed. To the objection that existing stationary MX missiles and even planned gamison-based, rail-mobile MX missiles are targets vulnerable to a Soviet first strike, the reply is to defend them with, you guessed it, the Strategic De-fense Initiative, or "star wars."

A Senate Appropriations subcommittee last week removed all funds to continue work on Midgetman. An administration that protests mightily when Congress cuts its other programs stood by. The issue is to go to the full committee soon. Midgetman is central to the future of

deterrence and stability; this consideration dissolves complaints that the Kremlin currently leads in mobile missiles (why not catch up?) and that mobiles are hard to hit (that is their advantage). Inspection precedents set in the missile agreement the two leaders signed Tuesday brighten prospects that de-ployments of mobiles could be efficiently policed. These are powerful reasons why the Senate should put Midgetman back on track. -THE WASHINGTON POST

A Modest Treaty but a Step Toward Realism

By Jonathan Schell

This is the second of two articles.

OPINION

because there is no measuring rod

Before one can decide whether a

have been decided upon, and the

participants, it seems, are all head-\

carry out his own program, and both are in disagreement with the Russians and with officials of past

administrations, many of whom

seek to restore support for the old, broken consensus. The arms control

talks proceed ungnided by any doc-trine because, in the late 1980s, more than 40 years into the nuclear

the INF agreement, its ambiguous contribution to stability and the doc-

trinal confusion surrounding it, the

One reason is the acceptance by the Soviet side, for the first time in the nuclear age, of the principle of

on-site inspection. This one con-crete accomplishment of the agree-ment towers over every other. It is

so important that the agreement might well be renamed the On-Site

Inspection Agreement. For decades, Soviet refusal to al-

low such inspection placed a tight limit on the extent of arms reduc-

tions that were filedy to be seriously considered by the United States. Its removal, perhaps the most striking fruit of glasnost so far, has made

eping nuclear disamament

guided by whatever doctrine, toward whatever final goal — thinkable. A second reason for optimism

has to do with the apparent recogni-tion on both sides that they have far

more nuclear weapons than is re-

quired by deterrence.

Notwithstanding the modesty of

age, doctrine has fallen apart.

agreement does stir hope.

with which to do so.

ig up different slopes.

WASHINGTON - The goal that the doctrine of deterrence specified for arms control was a balance of nuclear forces offering the maximum of stability. In that equation, reductions had no intrinsic value. If they added to stability, goal (creation of defenses) and clear

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as defined by the doctrine, then they were good; if not, they were not. The very existence of a consensus -of almost any consensus — was an offensive ones). The problem was mpressive achievement of sorts. It that few people other than the president dent behaved that the peace shield impressive achievement of sorts. It defined a goal; it charted a path; it offered standards by which progress could be measured. It provided conmon ground. Yet a decade after SALT-1, the consensus was gone. An assault on it was mounted from two sides: from the Reagan

administration and from the peace movement of the early 1980s. The administration, in rejecting the consensus and in failing to reach

any arms control agreements in its first term, deprived the public of the reassuring feeling that the nuclear race was at least being "managed," and this set the stage for the peace movement. The rise of the movement, in turn, seemed to provide some of the impetus for Mr. Rea-gan's embrace of the Strategic Delense Initiative, with its prom an escape from the balance of terror and abolition of all nuclear weapons.

Of the two challenges, the presi-dent's was incomparably the more radical and consequential — not only because it was backed by his anthority but because it was a rejection of the doctrine of deterrence and its replacement with another doctrine. The peace movement had no rival doctrine to offer. Its main practical idea was the nuclear freeze -a measure that could be (and was) justified within the framework of the deterrance doctrine. Asked what would come after the freeze, advo-

cates tended to answer that cuts, or deep cuts, would be next. The president was bolder. He put forward his "peace shield" of defensive weaponry, aimed at protecting the American population against Soviet nuclear attack. If possessed by both sides, the shield would, in his view, render all nuclear weapons

"impotent and obsolete," and they could all be dismantled forthwith.

Far From the Summit, Chinese and Japanese Fret

T OKYO -- With all eyes on the U.S.-Soviet get-together, the world seems to have forgotten the other two players in the world power game: China and Japan. Both have reasons for being unhappy and Japan. Hoin nave reasons for being unnappy about what is going on in Washington. And both are beginning to show it, but especially China. In September 1959, another Soviet leader, Nikita Khrushchev, went to Camp David to meet with

Dwight Eisenhower, and he came away calling the American leader a man of peace. Shortly after, the Chinese-Soviet dispute erupted The timing was not, as Soviet commentators like to say, accidental, And

the reasons for that dispute are still present. China's major geopolitical concern, then as now, has been to avoid becoming the old man out in a

cannot accuse the Soviets of revisionism, having

By Gregory Clark

itself speat so long in bed with Washington. One clear sign of Beijing's unhappiness is the brusque way the Chinese leader, Deng Xiaoping, has rejected Mr. Gorbachev's offer to meet after the Washington Washington conference. The Soviet to meet and the Washington conference. The Soviet leader had gone out of his, way to tell Mr. Deng that the U.S.S.R.'s differences with China were not as great as those with the United States. But this seems to have made little impression. (Khrushchev had used the same terminology in a vain effort to keep Beijing on his side while moving closer to Washington.) The Chinese see everyone as either with them or

treaty point out, that the number of warheads to be withdrawn from

Europe fails to change the overall destructive power of the two sides' arsecials. Yet if the removal of the warheads has few strategic costs, The new doctrine offered a clear toward some ultimate goal or other then it follows that their presence supplied few strategic benefits in the first place, and from this it "step" is heading "in the right direc-tion," one must know which moun-tain one is climbing. But none has been decided upon. Or rather, many follows that until the agreement

was made, the two powers were clinging tenacionsly to useless de-ployments of nuclear weapons. Seen in this light, what is reduced in the INF agreement is not so much the danger of nuclear war as the cranzess of possessing any The president is in disagreement with the officials he has charged to times more weapons than are needed for the project (crazy enough in itself) of destroying ourselves. The "step" here taken is one toward realism and sanity in the nuclear age. What may be most important, however, are the political condi-tions that have led this particular

administration to conclude an agreement with the Russians.

The very lack of a guiding doc-trine makes one wonder just what propels the arms talks at present. Certainly glasnost is one thing. The peace movement in the West is no doubt another. Probably Soviet anxiety about SDI is a third.

But also frequently mentioned is a force that many observers are pleased to call "history." No administration has been more resistant to arms control agreements than this one. In its first term, a dominant faction seemed to oppose any agree-ment whatever, on the ground that it would weaken the United States. Yet now that President Reagan is approaching the end of his time in office, many observers say, he wish-es to secure for himself an important place in history, and finds that the way to do this is to negotiate an arms control agreement after all.

The president, who for so long seemed not to understand that the overriding imperative of our time is relief from the miclear peril, now appears to have grasped the point. What the present could not teach him, the future has. The president has opted for history.

It is true, as some of those who discount the importance of the The writer is author of "The Fate of the Earth." He contributed this mment to The Washington Post,

One sign of the depth of pro-U.S. feeling among

conservatives here is the extraordinary lengths to which the government went to make amends when

the Toshiba Machine Co. was found to have pro-vided equipment to the Soviet Union that might

have improved its submarine technology. But the main U.S.-Japanese bond has been mili-tary. The United States provides the basis for a

rearmament that Tokyo wants but cannot under-take on its own initiative. Thanks to Washington's

Soviet threat, conservatives have grounds to insist

that greater military spending is not a revival of militarism — it is simply Japan meeting its Interna-

tional Responsibilities. Most of the voters buy this.

Questions 6 Are the Best **Response By Flora Lewis** WASHINGTON -- Pained wash-WASHINGTON - ramed waar wings from the right, cautious urging from the left, protest marches and posters, a tinging sense of ex-traordinary occasion ... Red fings, complete with hammer and sickle. fly in front of Ronald Reagan's White House, Demonstrators with sharp Sav-

ic checkbones and clusters of black balloons stand quictly in Lafayette Park, watched by mounted police who do not interfere or harass as the police did in Moscow a few days ago. There is something extravagant in Washington's reception of Mikhail Gorbachev, as if he were a unique

Yet in its fears and excitence, Washington is right to feel that some thing very special, something of histor-

ic importance may be approaching. The treaty to eliminate medium-range nuclear missiles is not in itself of such great significance. Even a future treaty to cut long-range arsenals by half would not change the face of the Earth, although it should diminish the risk of atomic holocaust.

Attention is focused on secondary issues: what kind of tests for "star wars," how long the Russians take to get out of Afghanistan, how much support they keep providing for Nica-ragua's Sandinists, how many citizens they allow out of their vast country, what political advantages each leader

can extract from an accord. But behind if all, informing and illominating both the hopes and the recriminations, lies the question of whether a watershed is coming, whethwhether a watershed is coming, wheth-er the century is going to end as it began, with preparation for another, this time final, world war. There is the question whether ideology, opposite visions of the best possible human condition, will remain the source of violent conflict or wither away as the Christian wars of religion did. Mach concern is expressed about the American penchant for Mini-chaeistic moods, bursts of overwhelm-

ing anger and overwhelming euphonia. The citizens' ability to remain skepti-cally prudent or judicionsly reserved in the face of Mr. Gorbachev's televi-

sion channs is put in doubt. That is odd when you think of the very nature of the democratic system, with all its built-in restraints on use of power. It does reflect, almost unwittingly, a sense that a great change may be evolving in world affairs and that it needs to be carefully managed so they do not run amok in illusions. So far the Russians have been more

articulate in expressing the possibility of a different, less dangerous kind of relations. American leaders sound more defensive, more worried about where changes in the familiar Cold War landscape could lead.

All of a sudden the Russians are talking about the environment, C.

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first strike and then use the defensive shield to repel the Soviet Union's retaliation. SDI, they were

saying, undermined deterrence. The destruction of the old strate-gic consensus has left the arms control process without a guiding doc-trine. It is thus impossible to measure the value of the INF proposal, or of the proposal to cut the arsenals of the two sides in half, or of any other agreement, as a "step"

An Inter-American Job

The Organization of American States was too timid Monday in backing free cleo-tions in Haiti without endorsing an inter-American force to guarantee the process. Only the most compelling circumstances can justify armed infringements of national sovereignty, but those circumstances prevail in Haiti today: A junta permits chaos and terror; it fails to fulfill its duty to hold elections; there exists a legitimate national institution capable of carrying out a democratic vote if protected.

Haiti's two-year-old struggle for democracy succumbed last week to a wave of violence that was at least tolerated, and perhaps orchestrated, by General Henri Namphy's military junta. The junta then and since has made plain its refusal to countenance a truly free election. Apparently it fears that doing so might produce a president determined to end open crimi-

nality and special privileges. A tennous caim now holds. But the democratically minded Haitians who filled the streets in the past are sure to do so again, with a risk of violent new repression and possible civil war. A descent into deeper

tragedy may be inescapable without inter-American intervention to reconstitute the betrayed election under the original elector-al council. That body, established by a popularly ratified constitution and with members nominated by representative civic groups, is Haiti's only existing institution with unquestionable democratic legitimacy. OAS opposition to intervention is under-

standable. Nicaragua is not alone in fearing a precedent. But Haiti is a special case, not one of civil war but of anarchy. And there is a relevant precedent. Today's democratic government in the Dominican Republic, Haiti's island neighbor, owes much to an election guarded by the OAS. Unlike that Dominican force, an OAS presence in Haiti should exclude U.S. sol-

diers and rely on Latin American and West Indian contingents. Washington is still re-sented by some Haitian nationalists for its 1915-34 occupation, and remains far too closely identified with the Namphy junta. More drift and more disaster in Haiti can be averted - but only if other hemisphere countries act together and quickly.

-THE NEW YORK TIMES.

Other Comment

Protective and Productive

The world's leading environmentalists, meeting in Denver in what they called an eight-day "global summit" on conserva-tion issues, have concluded that "compro-mise with developers has become their last hope for protecting much of the wild lands and wild animals that remain," writes Paul Nussbaum in the Philadelphia Inquirer. "Unless environmentalists help develop productive farms and growing economics, they may see much of the Third World's wilderness devoured in a losing battle against starvation

So, in Saudi Arabia, oil-tanker harbors are planned in conjunction with coastal havens for wildlife. In Indonesia, a national park is designed not only to protect a river but also to aid a downstream ticegrowing project. And in Nepal, conserva-

tionists are funding a local kerosene business in an effort to reduce wood-cutting." - From World Development Forum, news-letter of The Humger Project in Washington.

The Visitor From Moscow

To listen to the hubbub, you'd think the future of humanity rests on whether Americans can resist having their pockets picked by the slick visitor from Moscow. The ratings war is a sideshow based on the nutry premise that Soviet-American relations are a zero-sum game in which one side must lose if the other gains. Mr. Gorbachev is a dedicated Communist. But be also seems to be a realist who recognizes that nuclear war is unwinnable and that his country's welfare depends on lightening its arms burden. We ought to rejoice in his intelligence. — Syndicated cohumnist Jim Fain.

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United States-Soviet Union-China power triangle. In the 1950s the Chinese managed that quite well thanks to their alliance with Moscow, leaving the United States as the outsider. But that arrangement collapsed the moment Khrushchev began seriously to seek détente with the United States.

The turning point came a year before Camp David, when Moscow refused nuclear support for Beijing in its 1958 confrontation with the United States in the Taiwan Strait. The Soviets showed that they were not prepared to risk their relations with the United States for China's sale. The Chinese tried to put a brave face on things; they needed Soviet help to develop their own nuclear weapons. But when Khrushchev canceled the agreement to

provide this help a year later, Beijing was farious. The Chinese tried to pretend that their dispute with Moscow was ideological, over Kremlin "revisionism." This was fairly transparent: The moment Beijing found it could make its own deals with Washington, through Richard Nixon and Henry Kissinger in 1972, it happily became revisionist as well, leaving Moscow as the odd man out. Since then it has pushed the Cambodian and Afghanistan issues hard, so as to keep Moscow on the outside.

All this is changing now that President Reagan and General Secretary Gorbachev are meeting. For Beijing, it is back to 1958-59. But this time it

OSLO — The Soviet Union and the United States are compet-ing these days for the affection of the Nordic countries.

Mikhail Gorbachev visited Mur-

mansk, on the Kola peninsula, in

early October, and advanced a vague program of economic cooperation.

He also proposed negotiations to re-

duce naval activities in the Baltic, Greenland and Norwegian seas.

in Washington and a NATO ministe-rial meeting in Brussels, Secretary of

State George Shnitz will visit Copen-bagen and Oslo this weekend. And all American ambassadors in Europe

will gather in Oslo to get their march-

ing orders for the remainder of the

This display of U.S. interest in Nor-

way comes at an opportune time, for

there has been growing initiation here with Washington. Most Norwegians will concede that the Kongsberg arms firm, along with Toshiba Machine Co.

of Japan, should not have helped the

Soviets develop quieter propellers for

their submarines. But the threat of

punishment from the U.S. Congress

has created deep resentment. The re-

ection of former Prime Minister

Kaare Willoch as secretary general of the North Atlantic Treaty Organiza-

In contrast, the Soviets have been

enjoying a good press. Opinion polls indicate that most Norwegians, like

most other West Europeans, consider

General Secretary Gorbachev a bet-

ter peacemaker than President Rea-

gan. But Norwegian suspicion of the Soviet Union remains deep. And there is an underlying desire to es-

cape from the pincers of both Soviet

For two decades there has been in-

creasing concern in the Nordic area

and American military power.

tion added salt to the wounds.

Reagan administration.

On the heels of the summit meeting

ainst them. There is no room for half measure Mr. Gorbachev is going to find it easier to deal with U.S. capitalists than with Chinese communists.

Soviet developments could also spell trou-**US** ble in Tokyo. Officially the government welcomes the agreement on intermediate-range missiles. But the conservatives who run the government have made it clear they are less than enthusiastic. At first they tried to play down the import of the accord. Now that it is clear something big is happening, some in Tokyo are hinting at betrayal. The Japanese have never been as eager for

relations with the Communist-bloc nations as many in the West have assumed. Tokyo had to be virtually forced by Mr. Nixon's initiatives into opening diplomatic relations with Beijing in 1972. It is even more reluctant to get close to the Soviets. For many Japanese conservatives, Moscow remains the evil empire. They are unimpressed by perestroika, the policy of restructuring. They remember the many wrongs Japan has suffered at Soviet or czarist hands over the past century.

And they are much happier with their close, if subscriteri, relationship with the United States than many in the West realize. America is the father figure helping Japan through the interna-tional jungle. It feeds Japan's export appetite.

After the Summit, Shultz Might Hear Nordic Static

bonor of supporting the largest Soviet deposits. When joining NATO, Nor-fleet. Most of the Soviet Union's stra-tegic missile submarines, and partico-included. But Oslo has been unwilling

tegic missile submarines, and particu-larly the most modern ones, are based

on the Kola peninsula, as are more

than 30 cruise missile submarines, nearly 100 attack subs and about 90

The Kola peninsula also has more than a dozen airfields. U.S. and Nor-wegian military officials differ as to

how many of them are ready for use by

modern aircraft. But any NATO air-craft venturing into that airspace

would meet a formidable combination

of fighters and anti-succraft weapons.

combat-ready units in the northern region; one division is just east of the

Norwegian border and another is fur-

ther south. Norwegian and Swedish

officers assume that the latter unit is

poised for an attack across northern Finland. There are also support units, including an amphibious brigade, a

Spetsnaz (special forces) brigade and

short-range nuclear units. In the event of a crisis, Soviet lead-

ers would face some difficult deci-

sions. The military commanders

would want to get the strategic missile

submarines out of port and into the

Basents Sea or under the Arctic ice.

They would also want to deploy addi-

tional aircraft, including Backfire bombers, to the Kola peninsula. If the

Soviets wanted to capture the NATO ainfields in northern Norway, the Red

Army would have to deploy additional

major surface combat vessels.

about the creation of an elaborate complex of naval and air bases on the kola peninsula. The naval bases vie with those on the Pacific coast for the bonor of supporting the largest Series

for NATO military anthosities to make plans for Spitsberger's defense.

So paramilitary units at the Soviet

coal mining town of Barentsburg could easily occupy the airfield. How

soon Soviet aircraft could begin using it would depend on how much dam-

Concerning the North Atlantic, NATO military authorities are proce-

cupied in peacetime with keeping up

with Soviet military activities. The

to be completed in 1989.)

age the Norwegians could inflict.

But what happens to the Soviet threat if Mr. Reagan is embracing Mr. Gorbachev and the Sovi-ets are-promising to pull medium-range missiles from Siberia? A prominent commentator, Hiroshi Kato of Keio University, says the United States is abandoning its role in Asia. He has called on Japan to take over the job of resisting the Soviet "cco-nomic infiltration" in the area, in concert with the

newly industrializing countries of Asia. Like Beijing, Tokyo could find itself as the outsider in another triangle. A U.S.-Soviet rapprochement makes it likely that the United States will take a stronger line in economic relations with Japan; American conservatives, led by Mr. Reagan, have soft-pedaled trade pressure on Tokyo because of Japan's anti-Soviet military importance. And Mr. Gorbachev has made it clear that, like his predeces-sors, he is not very interested in closer relations with Tokyo as long as it continues stubbornly to blame Moscow for the loss of territory promised to the U.S.S.R. by the United States at Yalta in 1945.

The geometry looks neat: two triangles, with Beijing and Tokyo at their apexes, collapsing into a single Washington-Moscow axis. East versus West, whites against Orientals? One answer would be for the Orientals to get together. But first they must overcome their own differences.

International Herald Tribune

with Mr. Reagan in terms of a "sick Earth" that will be beyond ecological repair in 12 to 15 years if resources(p not diverted from military to natural not diverted from military to natural security, they say. This comes strange-ly from Moscow spokesmen, who were insisting only a few years ago that ecology was strictly a capitalist prob-lem. Now they are saying that Mr. Gorbachev is determined to "de-ideo-logize" science — although not poli-tics, mind you — and to be "realistic." There are still threats about what Moscow can do to make the world

Moscow can do to make the world more terrifying if Washington will not cooperate and make it an equal part-ner in reversing the race to the bink. But there are also suggestions about how to seek "mutual security." Nobody knows what they mean, proba-bly not even Mr. Gorbachev. Moscow has not yet goue very far in thinking through how the new slogans could be put to work in practical international affairs, or the exact consequences.

But fear of provoking self-intoxication is a silly reason for not putting concrete questions about the implica-tions. Mr. Gorbachev szys Soviet policy no longer gives primacy to class struggle, until now the justification for Bolshevik ambitions to remake the world. He says development of society and national interest must come first. The West can ask him what that ans about the doctrine of irreversible revolution, about East-West com-petition for influence in the Thirk-World, about big-power behavior in regional conflicts like the Middle East, He offers NATO-Warsaw Pact staff

talks on military doctrine. The West the casual attitude one often finds in can ask what in Soviet doctrine supports the deployment of so many tanks and artillery facing Europe.

This is how to find out what the red flags are signaling in Washington, not by arguing among ourselves. We have othing to lose but our nightmares. The New York Times.

onal Herald Tribune.

w strongly they feel.

ly important in discouraging any So-viet temptation toward adventures in this part of the world.

It is thus difficult to understand

Washington toward Norway and Ice-

sind. It might be helpful if the Nor-wegims who talk to Mr. Shnitz and his aides would abandon their usual

politeness and let them know just

100. 75 AND 50 YEARS AGO

1887: Austria and Russia

I fighters and anti-succraft weapons. United States has spent much money The Red Anny has stationed some on electronic installations in Iceland VIENNA — The Military Council sat for several hours today [Dec. 8]. and Norway. Americans operate the Iceland facilities, but Norwegians run those in their country, which does not permit foreign bases in peacetime. Despite that, there has been a sub-It was decided not to summon the Delegations for the present, no immediate military measures being contemplated owing to the threaten stantial buildup of materiel in Nor-way. In the 1970s there was enough preparations on the part of Russia during the last few days. At the same annumition and spare parts for only one squadron of U.S. fighter aircraft. There are now stocks at eight Norwe-gian airfields, along with the fighters and helicopters that would accompatime a number of measures were agreed to which will be carried out should Russia continue to accumu-

ny any American marines. (The prements of Russian troops referred to positioning of amanunition and heavy equipment in central Norway for a U.S. marine brigade is scheduled with alarm by the Austro-Hungarian press merely consisted of the des-patch of a division of cavalry without any idea of aggression but for the protection of certain localities in the province of Labin.

1912: Triple Alliance

Alliance — Austria-Hungary, Ger-many and Italy — is for a period of wolves and bears to share quarters.

cess for Italian diplomacy. 1937: Fight or Endure?

pleaded for a more energetic policy of England, even war against the dictatorial powers rather than submit to a dishonest peace. That reason is hardly Christian. European civilization has had to endure many an invasion from Barbarians and recovered.

to make hous lie down with lambs

late troops on the frontier. ST. PETERSBURG --- The move-

But the key to U.S. strategy in the North Atlantic is Iceland. The Rea-

divisions to the Kola peninsula. Soviet leaders would also have to decide what to do about the airfield on ROME - The renewal of the Triple



gan administration is spending hun-dreds of millions of dollars on the island. This is being used in part on

A second second second

tage alone. The renewal of the alliance on the old conditions is a suc-

six years. A highly placed personage who took part in the negotiations assures me that the alliance preserves its defensive character and that no

offensive eventuality is considered. I learn from another source that Anstria-Hungary sought modifications which would have been to her advan-

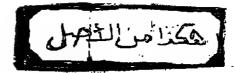
PARIS -- [A reader writes]; Lloyd

DENVER - Officials of the City

Park zoo are considering an attempt

George, in a speech the other day,

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Page 9

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By Flora Levis

Service sounds

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OPINION

Remember: As a Meadow e the B Differs From a Prison Yard kespong

<u>ಕ್ರಾಂಗ್ ಕ್ರಾಂಗ್ ಸ್ಟ್ರಾನ್ ಸ್ಟ್ರಾನ್ ಸ್ಟ್ರಾನ್, ಬ್ರಾನ್ಸ್ ಸ್ಟ್ರಾನ್</u>

WASHINGTON -- Mikhail Gorba-chev has arrived in Washington to sign one arms treaty, to prepare for another and to pursue his search for a prize and achievement even greater. It is - mot yet in his grasp but is drawing closer, for the goal is the most ambitious ever Sought by a Soviet leader and has pro-scought by a Soviet leader and has pro-scound meaning for the Western alliance. It is nothing less than achieving for the soviet dictatorship full moral equality swith the United States in the eyes and - emotions of the world. kei: The brilliant Gorbachev strategy is to

crachieve this goal without paying the price

ON MY MIND

in of changing the essential elements in the wsystem upon which the dictatorship of the Communist Party of the Soviet Union and therefore his own power - rests.

The world is still aware of difference -, between a great-power democracy and a great-power dictatorship — as a meadow differs from a prison yard. The awareness is America's greatest international asset. from those who yearned for freedom themselves. Usually it gets it, provided it speaks truth and does not break faith.

wareness; evidence is everywhere. Margaret Thatcher, of all people, speaks of reserve for St. George. The Germans posthero throughout Western Europe. In the Hinted States, opinion polls show war-mess but, considering the fact that he indexes an imperial dictatorship, also a remarkable amount of acceptance.

Skepticism about glasnost is not quite fashionable in the world of political fashion. Columnists and politicians scold Americans for their fear of communism, as if the occupation of Eastern the attempts of the Soviet Union to use s from which we should awake.

A Decency and Foreign Policy

w How far should foreign policy be af-The people of the United States are of such diverse origins that an especial symis pathy, based on ties of blood, exists with to the downtrodden of many other lands. - Certainly the plight of Jews abroad will not be forgotten. The task of President

::Reagan is to accommodate generous moral indignation with a coherent foreign is override all other factors. It is one thing verto use arms control negotiations to bring i wiolations of human rights to due promiin mence. It is another to sacrifice satisfactory agreements because the world is not

as virtuous as it should be. -The Independent (London). un de l'este que poix de la

Madrid and Auckland

Opposition to Mr. Gorbachev speaking to a joint session of Congress was considered narrow-minded and bluecollar. His words to a freely elected Congress would have had strange resonance in the cells where Soviet political prisoners are still locked and starved.

A1 parties in Washington and New York, Americans delightedly cry out the discovery that Russians and Americans are all just people, after all. Only churls keep insisting that "people" do not de-cide on invasions or political prisons — systems and those who run them do. Soviet journalists, still servants of the state, proclaim that they are professional colleagues of American newspeople.

few of whom give the right answer: "Like hell you are." American educators solemnly discuss with Soviet educators the mutual need for textbook revision, just as if the state did not censor every single book pub-lished in the Soviet Union and the Russians could write as they pleased. That is comedy, if you like it real black.

It is hugely important to Moscow that the world believe there is no great difference between us and them. That would mean the end of American leadership of the free world, whose very concept

would oo longer exist. The guest has been able to become a halo-word at very little cost. He has permitted some intellectual opening in the Soviet Union, limited to what does not displease him and will get him credit abroad. Simply in respect to their own minds, Americans should recognize that he has not touched the police power of the state - his police power.

Mr. Gorbachev makes sure nobody really knows what glasnost is. But as Senator Robert Dole said on Monday, whatever it is, it is not freedom. Nor is it good enough for those who crave freedom. And, in buman decency, that at least should be acknowledged by those who live under the grace of liberty. Mr. Gorbachev's moral equality strat-

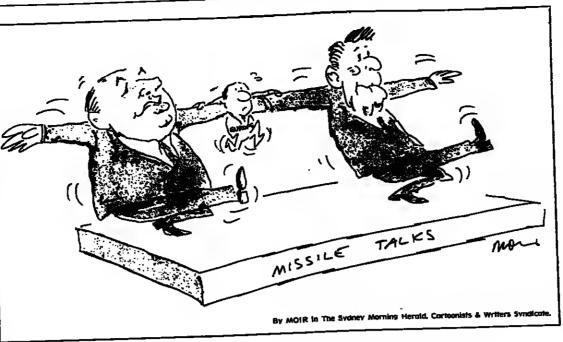
egy even persuades much of the world that he created the new treaty. In reality, of course, it was the Western strategy of placing intermediate-range nuclear weapons in Europe, as Moscow had,

that brought him to the table. Moral equality erodes America's own values and visions and compassion; that is its greatest danger.

Mr. Gorbachev has not achieved his goal yet, and may never. In the United States there are still many Americans who will talk and think clearly not just about the Soviet Union bot about themselves, their standards and their own country. And in the Soviet Union and

the captive nations there are too many witnesses. They will testify that there can be no moral equality between a democracy and a dictatorship, even with velvet on the bars.

The New York Times.



LETTERS TO THE EDITOR

For Peace in Space, Stop Early Research on the Ground

There have always been two main ar- not put either side at a disadvantage and uments in favor of the Strategic Defense would counter the possibility of circum-nitiative. One is that it could defend venting the anti-ballistic missile treaty Initiative. One is that it could defend in any significant manner. Anything that has a great kill potenagainst enemy missiles. The other is that

it would provide a peg on which to hang the research of advanced space-arms technologies, in order to ensure that the Soviet Union could not forge ahead with some unforeseen breakthrough. Extensive calculations have now been done in this field. In April, the American

Physical Society completed a study called "Science and Technology of Directed Energy Weapons." It is quite evident from all available material that, though some space weapons will become possible, defenses will never be able to

replace deterrence as a strategy. Nuclear deterrence can only be replaced by controlled disengagement — that is, the gradual elimination of ouclear weapons and other weapons until the prospect of murdering hundreds of millions of people becomes as unthinkable as spitting on the carpet at a diplomatic reception. Uotil that happy day arrives, the os-

tensible search for space defenses has only one genuine purpose: to keep abreast of what the other side may be doing. At present, each side sees its own part in the space race as unavoidable although, clearly, this race can only lessen stability and safety for all.

Currently, the space arms race is not chiefly in weapons but in technologies that are precursors of space weapons. A useful parallel is found in the negotiations to ban chemical weapons. In those negotiations. it has been recognized that certain precursors of chemical weapons would also have to be limited. It is now equally necessary to take some precursors of space weapons into account. Verifiable limits on such technologies would.

tial within space or from space should be considered for limitation -not only the brightness of lasers but large power sources of any kind in space, large reflectors, various targeting and tracking experiments and so forth. Mutually observed restrictions to this effect would greatly enhance safety, simplify the arms limitation process generally and

save stupendous sums of money. Verification would be easier than one might suspect; at some stage, most experiments in the precursor technologies would require massive structures and tremendous sources of power.

It would be a paradox and also a most fortunate outcome of the Reagan years if, due to the exaggerated early rhetoric about the usefulness of space weapons, their creation could be outlawed for all times. That would be an achievement of unsurpassed significance.

JULIE DAHLITZ. Geneva.

The writer is senior researcher at the United Nations Institute for Disarmament Research in Geneva, Her remarks are made in a personal capacity.

Latvia's Long Struggle

The report entitled "Militia Blocked Protest Against Soviet Rule in Latvia" (Nov. 19) by Gary Lee was a very good one, except for one mistake. It says that Latvia was declared a free autonomous region on Nov. 18, 1918. Latvia was pro-claimed a free democratic republic after a

military struggle with the Soviet. It be-ED C came a prosperous free-enterprise coun-try from 1918 to 1939, and was never an autonomous region of the Soviet Union. Of course, since the Soviet conquest of Latvia in 1939, and again in 1944 (the German army occupied Latvia from 1941 to 1944), Latvians have lived in poverty and lost all the civil rights they had earned by their 1918 struggle. Is it surprising that the Latvians, and residents of the other Baltic states, desire a return to independence and the removal of Soviet political terror?

LOUISA K. BARNES. Rome.

A 'Googol of Pluses'

Regarding the column "Foreign Stu-dents in America Can Benefit Both Sides" by Jean-Jacques Servan-Schreiber and Herbert Simon (Nov. 19):

I write to applaud your article on foreign students in the United States. As seems clear that if a bit of reasonableness a veteran of more than 30 years of TESL teaching English as a second language), I can attest to the googol of pluses atten-dant upon blending foreign students in with American indigenes. The article, however, requires one small adjustment: The organization that has so admirably addressed the needs of foreign students in the United States is the National Association for Foreign Student Affairs,

oot just for Foreign Students.

How Taiwan Views Tibet

I felt a meeting of minds in reading

Blue Skies, a Soviet Invasion And Winter's Lok Sabha Din

By S. Nihal Singh

N EW DELHI — This is the most delicions time of the year in the Indian capital, with a perennial blue sky and balmy temperatures. The flowers bloom and hotel swimming pools are full of European and American visitors greedily drinking in the sun. The local resident has become used to

MEANWHILE

the police check posts dotting the city to cope with the increasing (or decreasing) threat of an overflow of terrorism from the northeastern state of Punjab. He has even got used to the gm-toting guards of government ministers and other VIPs. With their penchant for the melodramatic. Indians tend to overdo the security routine, and it often becomes comical. Since the idyllic winter lasts barely four

liefs. Instead, they shut Tibet down.

Beijing's "one country, two systems"

months, everything is crammed into it. Foreign presidents and prime ministers suddenly hear the Indian love call and find business of state to transact. We have just had a remarkable retrospective of Henry Moore's sculptures and drawings. But this winter will be awash in Soviet fare. After the fashion or hu the Excited of Judic in Reist set by the Festival of India in Britain. the Indian festival went to Moscow this summer. The Soviets are returning the

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compliment by sending their best fare. Last month, their prime minister, Nikolai Ryzhkov, paid a visit. There is some tart comment that the Soviets have not fully reciprocated an earlier Indian ges-ture; since Prime Minister Rajiv Gandhi went to Moscow to launch the Indian festival, the Soviet leader, Mikhail Gorbachev, should have come here, it is said. Politics apart, nobody is sneezing at the Russian offerings: the Bolshoi Ballet, a fabulous collection from the Hermitage in Leningrad (reportedly including some works that had never left Soviet soil), the Moiseyev folk dance ensemble, jazz groups including the famous Arsenal, the Vilnius puppet theater, and the inevitable

ssage does this send to the residents of Hong Kong and Taiwan?" I thought I circus. For a bit of political mileage, there is an exhibit on the Russian Revolution might take the liberty to answer that. The Chinese Communists pledged long ago to maintain Tibet's political as seen through the eyes of artists. Indian festivals abroad have been critisystem and to respect the people's be-

cized by some here who say the money could have been better used at home. India has just experienced one of its worst droughts. So some proceeds from the yearlong Soviet festival, which is funded by both countries, will go to drought relief. Winter in New Delhi also means Parliament is in session, and it has been living up to its billing as the most rancous in the world. The opposition parties make form the Chinese nation. But in the up in lung power what they lack in mmbers, and ruling Congress (1) Party mem-bers keep up their end of the shouting match. The newspapers are full of head-lines about walkouts and furor in the Lok Sabha, the lower house. The stories invariably note that much of the angry talk system, and it supports their struggle against oppressive Communist rule. It could not be deciphered in the din.

Perhaps the opposition is frustrated by its inability to exploit a recent scandal. For months, the government was pilloried by opposition accusations that offi-cials had received kickbacks from the Swedish arms maker Bofors. Fingers were even pointed at Mr. Gandhi. But while the government's moral authority has been affected, parliamentary investiga-

tions have produced no "smoking gun." The Indian press added its own footnote to the New Delhi winter. The antiestablishment Indian Express, facing a violent strike, sought the help of a rightist opposition party. Heated debate ensued, But the issue has been overshadowed by a government crackdown on the newspaper over alleged infractions of the law. This pressure was widely seen as vindictive: The paper had passionately sought Prime Minister Gandhi's ouster.

International Herald Tribune.

C.T. WANG. Taipei. Letters intended for publication should be addressed "Letters to the

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editing. We cannot be responsible for

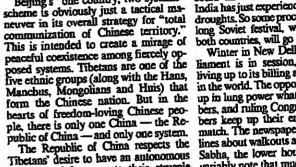
the return of unsolicited manuscripts.

and humaneness had been applied in the

administration of Tibet, most of the

JASON B. ALTER.

problems it is experiencing would not exist. The Dalai Lama would still be at home, and none of Tibet's religious shrines would have been destroyed. But the Republic of China stands by its insistence that Tibet is an integral part of Chinese territory. Himeji, Japan. Editor" and contain the writer's signature, name and full address. Let-





Madrid, Spain. City of sunshine, cool breezes and romance. Of flamenco dancers, singers and guitarists. Of Iviacing, spain. City of substance of the opens its doors to this picturesque city. Flights commence December 5 toreadors and picadors. And now ring open Monday. Returning to Bangkok via Rome every Sunday and Tuesday.

touring in the land of the famous All Blacks Rugby team. New Zealand has it all. Now Thai touches down there December 6, direct from Bangkok (leaves Saturdays), returns every Sunday. nai

ARTS / LEISURE

Maguy Marin Takes On 'Sins' By Brecht / Weill

By David Stevens

doesn't have the status of "Three-penny Opera" or "Mahagonny," perhaps because of its brevity and hybrid character, but it reappears darkly macabre work for the com-bined forces of the Lyon Opera Ballet and her own company. The circumstances of its creation

had everything to do with the curi-ous format of "The Seven Deadly Sins." In 1933, George Balanchine, more or less down and out in Paris, had started Ballets 1933, an experimentally oriented company form- the bass. itously underwritten by Edward James, a wealthy Englishman who wanted to give his wife, the Vien-nese dancer and mime Tilly Losch, which movement is the main exsomething to do. Weill, who had pressive element. Since the score lasts only about 35 minutes, broken one of several composers commissoned to write new works, and Brecht was pulled in on the project from Switzerland (probably oot much to Weill's liking, by this time). Boris Kochno was involved, as eventually were Lotte Lenya and the designer Caspar Neher, and the conductor was Maurice Abravanel, Weill's pupil and disciple.

This unlikely conglomeration, part fugitives from Hitler and 1920s Berlin, part survivors of the Ballets 1933 did not survive the

CREATEURS PASSERELLE THEFT DE L'ART · 12 20 DECEMBRE SPACE CHAMPERRET

"The Seven Deadly Sins" is International Herald Tribune ballet with songs, or a ballet with YON -- "The Seven Deadly singing. The story tells of Anna --L Sins," the final collaboration represented by a singer and a danc-by Kurt Weill and Bertolt Brecht, er, Lenya and Losch in the original - who leaves home in "Louisiana" to make money to send home so the family can build a house. It is presented in a prologue and an epifrom time to time, often thanks to a logue with seven scenes between, in choreographer with a strong theat-tical bent. The latest is Maguy Ma-in, who has made it the basis of a usual seven, but Brecht turns them inside out — in Lust, Anna is made to understand that the real sin is to give herself to a man she loves rather than sell herself to one who pays. The rational Anna I (singer) keeps the intuitive Anna II (dancer) on

the straight and narrow, aided by the chorale-like interventions of the family --- a male quarter. Mother is

"... des petits bourgeois" - a reference to Brecht's didactic ex into very short scenes, Marin had post facto "complete" title, "Die Sieben Todsünden der Kleinplanned to precede each scene with a kind of dramatically expanded introduction using other music — a hürger" - and linked to the Brecht-Weill work proper by doing plan knocked sharply in the head by the Kurt Weill Foundation of New York, which holds the rights without an intermission, just rais-ing the lights enough so the orchestra can find its way into the pit. and takes a dim view of such ideas. Marin's staging of "The Seven Deadly Sins" proper was faithful to the scenario, in her fashion, even to Instead, to create a more or less

full-length piece on a unified theme, she created what amounts to about a 45-minute prologue that acts much like a flashback opening wreck of Diaghilev's ship pro-for a film. The events of Anna's duced a one-time-only nonesnch, encounters with sin are over and she is locked in a kind of danse

(in French translation), and a firm grasp on her dramatic role as the manipulative siamese twin to the vulnerable Anna II of Cathy Polo. Montserrat Casanova's set, a Those who have encountered Marin's other work will not be sur-prised to find "Death and the three sides of the Lyon Opera's Maiden" again, either musically or stage, allowed the action to be car-

as a dramatic theme. And the ried out on several levels figurative- ciently, although some of the as a dramatic theme. And the needout on several reversingurative- ciently, althoogh some of the movement, while perhaps more ly as well as literally. The excellent score's more powerful moments varied than in her evocation of family quartet (Pierre-Yves Le seemed pale. Beckett in "May B," draws on a Maigat, René Schirrer, Michel There seems to have been no similar vocabulary of highly strue-Fockenoy, Frédéric Plantak) was little dismay at the refusal of the tured ordinary movements and ges- stationed on an elevator that shot Kurt Weill Foundation to allow

Cathy Polo.

This first part is cotitled

giving the individual scenes their

specific character, such as that for Anger, in "Los Angeles," taking

place on a movie set. But the most

striking performance is Maguy Ma-

rin's own, not as a dancer but as the

singing before, and she proved to have a firm, warm, accurate caba-

ret-style voice, exemplary dictioo

singing Anna I. She has flirted with

tures, but verging on an almost up and down according to need. other music to be mixed into "The morbid expressionism. Jacek Kasprzyk conducted effi- Seven Deadly Sins," and the late

Scenes from "The Seven Deadly Sins," with Maguy Marin (below, at right) and



discovery of this situation meant that Marin had a month or so of

cherry orchard. This may not, therefore, be a "Twelfth Night" to appeal to Shakespearean purists. But it is one of the most thoughtful and beauti-ful of recent years, characterized by a beauting neuron by Berl a harmting new score by Paul McCartney and Pat Doyle and crowned by a Malvolio from Richard Briers thal is far and away the most comically tragic since Ohvier played the role at Stratford 30 years ago. Branagh has all kinds of other

holographs by Gerard Association

ideas about the play. Orsino even-tually gets his opening scene, albeit in flashback, and we then get a dropout hippic Feste (Anton Less-er), a Viola (Frances Barber) who is ideas the sume informat a broad in a alone the pure innocent abroad in a park where all are trying to betray her, a bully-boy Fabian (Shann Prendergast) and a Belch/Agne-cheek double-act (James Saxon and

heavy reorganizing. But the suspi-James Simmons) thin enough to hide behind the Christmas tree cioo here is that not only did she rise to the challenge, but that the result was worth it. As it is, the which masks them from Malvolio.

Everything about this produc-tion suggests that the actors are integrity of the Weill score is intact, and since this is absolutely topdrawer Weill – full of compact energy, and with his "song" style have done under Branagh's leader-ingenionsly used to shape a rela-tively large form — that is a vital is to restructure an all-too-familiar text, situate a palm court trio high above the stage and then go to work From Dec. 23 to 29, this produc-on an immensely intriguing collec-

of Lear, or that Viola alone retains awareness of a world elsewhere, far ONDON - "If music be the removed from all these manic Chekhovian romantic defeatists. It is a rare and woodrous Christmas treat. Hasten along, as they close it in mid-January.

A Rare 'Twelfth Night,'

Almost Chekhovian

By Sheridan Morley

ational Herald Tribune

r food of love, play on," is argu-

ably the most famous and oft-quoted opening line in all Shake-

spearean comedy. 11 takes.

therefore, a certain amount of courage to start "Twelfth Night" without it, or indeed that whole

first scene. Instead, Kenneth Bran-

agh's new production at the River-

side Studios plunges us straight into Scene 2 and Viola's ship-wrecked arrival.

ter residence. There, taking the

play's title quite literally, the de-signer Bunny Christic offers us snowflakes, half-ruined statues,

immense Gothic tombstones and a

a Victorian Christmas card.

The first home-made production at the Bush since its recent fire is Jacqueline Holborough's "Dreams

THE LONDON STAGE

"This is Illyria, lady," but it is like no Illyria we have ever seen before. Far from any seashore, all fater references to May mornings and sunshine ignored, we would appear to be deep in some park surrounding Anton Chekhov's win-ter enter the surrounding anton Chekhov's win-ter enter the surrounding the set of the sister the set thing about the five members of a ideals of the sisterhood that they have become a nightchib act for the businessmen. The best thing about Holborough is her ability to juggle a quintet of stereotypes while putting them through an ac-curate depiction of gruesome backstage reality. What she has written here is essentially the feminist "42nd Street."

generally ravishing if melancholic landscape apparently only waiting for someone to come and paint it as Jenny Leccat plays the ambi-tions leader of the collective, the only one totally ready to sacrifice all their political or social ideals for Through the snowflakes wander Aguecheek and Toby Beich and Maria and Feste and Fabian, not a really good contract in London. She is not however much helped by a revolutionary saxophonist with a figures of the usual slapstick fun but poets and dreamers and losers apparently all in search of Vanya or dead dog in a box and nothing against men since she has been one at any rate the next train to Moscow. At any moment you expect to hear the fail of trees in some distant herself, nor yet by a butch electrician, a tap-dancing poet or a vague-ly middle-class legit actress ap-pailed to find that at least one of

her colleagues believes in liberating socks from department stores without going through the bourgeois ritual of payment for them.

"Dreams of San Francisco" is about tacky arts centers and life in a van and the problems of trying to run a theater group with no money for audiences who have no interest in political affiliations. It is also, admittedly late in the calendar, the sharpest new comedy of the year,

and suggests that Holborough has been around that circuil herself and met the sisters who now want to be glitzy torch singers so they can have things like clothes and

past decade into one of London's best.

Last week Henry Krieger's "Fat Pig" at Leicester, this week Charles Strouse's "Lyle" the crocodile al the Lyric Hammersmith. There has

Working without Martin Char-nin or any of his previous and valued librettists or lyricists, Strouse has written the book, music and has written the book, music and lyrics for this curiously amateur ad-aptation of a Bernard Waber fable about a New York boy and the crocodile he adopts, only to have it dragged away from him and exhib-ited at Radio City Music Hall be-fore the inevitable and tearful re-I have seldom seen, least of all at

a theater once as distinguished as this one, a Christmas family entertainment quite so breathtakingly undercast, underwritten, under-scored, underfinanced and underrehearsed as "Lyle." The best of its songs, of which there are about two, sound as if they were cut from Strouse's "Annie" on the way into New York, while one oumber ("Homeless") sounds and looks lit-erally like a bad dress-rehearsal for hard-knock life.

The company, led by Lee Broom as the boy, with Teddy Kempner and Belinda Sinclair as his parents, and John Bardon as the evil showman, all wear the haunted look of performers who have realized somewhere in mid-rehearsal that there is no show here at all but that they have to go on doing it eight times a week until the New Year, while one's only hope for the croco-dile is that somebody might very soon turn it into a handbag.

Peter James's production is quite amazingly and untypically incom-petent. Stay away if in search of seasonal fun

'Forgotten' Film **Of Beatles Found**

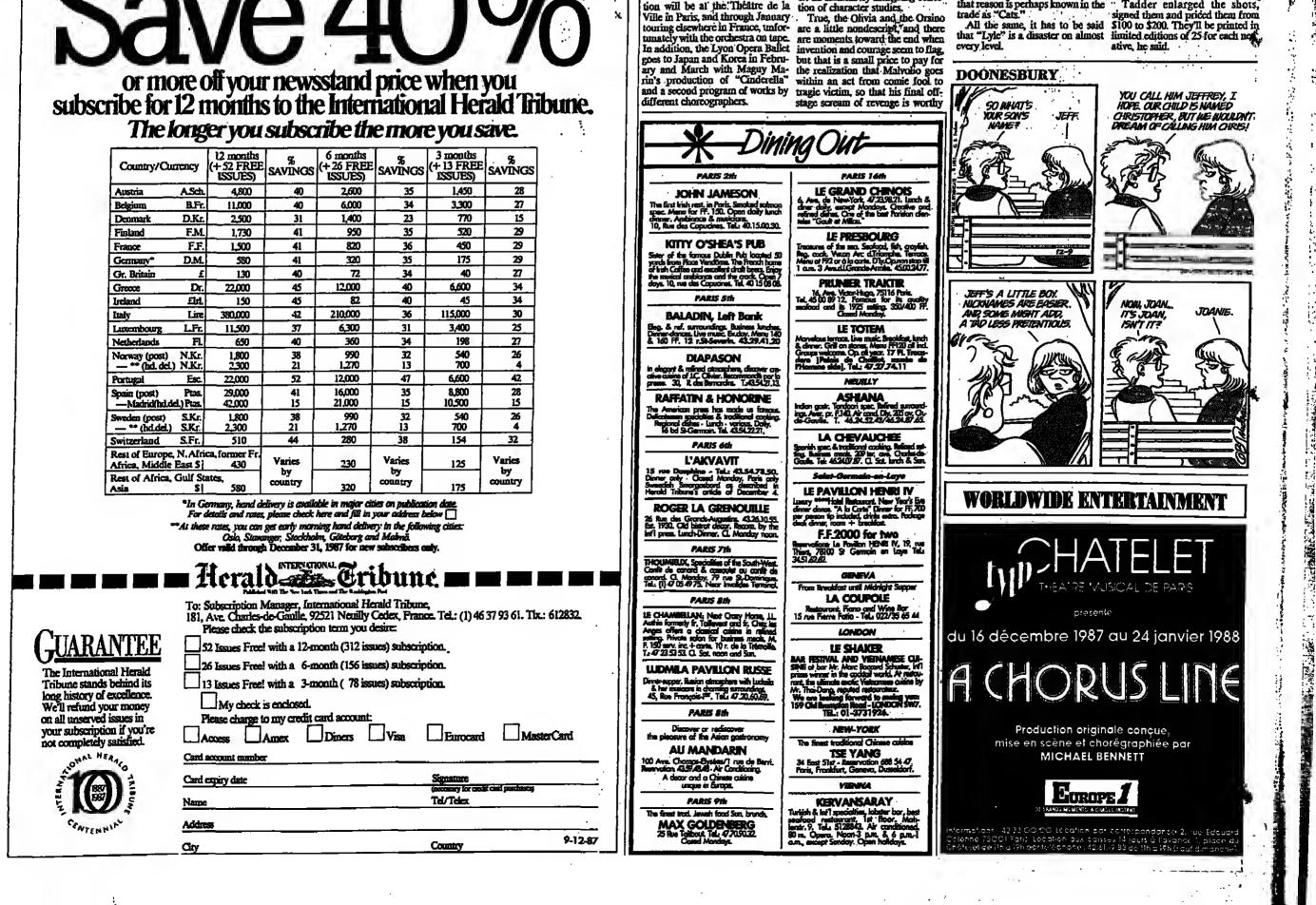
The Associated Press BALTIMORE — Morton Tad-der credits his assistants with stumbling upon forgotten film in his studio from a 1964 Beatles appearance in Baltimore.

Tadder, an industrial and commercial photographer, didn'l count himself among Beatles fans when ble cast in, sadly, his farewell to the group's second stop on their first theater that he has made over the U.S. tour.

Tadder sent off some shots for European magazines, then filed the extra six or seven rolls without thinking much about it. The film turned up about a year ago as assistants were moving files at his Prints Charming Gallery.

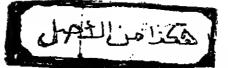
to be some reason why distin-guished Broadway composers are use show of the still shots, setting speeding much of their time on this side of the Atlantic creating musi-cals about lovable animals, and prints in the studio. He has put together a four-min

that reason is perhaps known in the " Tadder enlarged the shots,



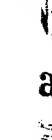
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International Herald Tribune Special News Report

Japan: A Change of Face



#Prime Minister

Forgotten Fil

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VTERTUNNEN

. .::::::: Nov. 19: Trade Talks Bring U.S. Warning

IN THE NEWS

Nov. 4: Reagan Curtails

President Ronald Reagan, citing progress in a trade dispute over computer chips, lifts \$84 million in sanctions against Japan, Icaving sanctions totaling \$165 million.

Nov. 6: Takeshita Becomes

After taking over from Yasuhiro Naka-

Nov. 7: Takeshita Urges

The prime minister and his newly ap-pointed deputy prime minister, Kiichi Miyazawa, call on the United States to

U.S. to Support Dollar

sone as president of the ruling Liberal Demo-cratic Party, Noboru Takeshita wins a

predictable election to become Japan's 17th

Trade Sanctions

postwar prime minister.

Less than a month after being appointed U.S. commerce secretary, C. William Verity holds four days of trade talks in Tokyo, warning that Japan's refusal to allow American companies access to public works construction projects was "unacceptable."

abide by an agreement on exchange rates and to reduce the U.S. budget deficit.

Nov. 24: Japan Rebuffs Thatcher's Plea Following the U.S. budget pact an-nounced Nov. 20, Prime Minister M Thatcher of Britain urges Japan and Germany to stimulate their economi Following the U.S. budget pact an-nounced Nov. 20, Prime Minister Margaret Japanese finance officials say Japan will mooetary policies.

Nov. 27: Prime Minister **Reaffirms Goals**

In his first major policy speech to the Japanese parliament, the prime minister reaffirms the nation's commitment to overhaul its economy by relying more on -

history books.

A REAL PROPERTY AND A REAL

domestic demand and less on exports.

difficulties for his successor.

By Paul Maidment OKYO - Noboru Takeshita, Japan's new prime minister, has inherited a resurgent economy, hard-

play a bigger international role and even harder-tokeep up the economic growth needed to meet those experiment

unfinished political agenda that includes completion of tax, reform, arresting the skyrocketing rise of Tokyo land prices and liberalization of agriculture, the construction industry and the distribution system. Mr. Takeshita could seize the initiative on any one of these and write his name in the

Seizing initiatives is not the painstaking Mr. Takeshita's political style, however. It is more likely that he will hold Japan steady on the course Mr. Nakasone steered, carry out the key outstanding part of tax reform, the introduction of a

Many in Tokyo political circles expect Mr. Takeshita to remain in office for only the first of the maximum two twoyear terms in office that the rules of the governing Liberal Democratic Party allow. Signs of a succession struggle are already beginning to appear, although Mr. Takeshita, a consummate domestic politician, could yet confound his doubters. Mr. Nakasone, once also considered a potential theterm leader, became Japan's third-longest-service posiwar prime minister.

Mr. Takeshita has taken over an economy that would let. him steer a bolder course of his own should he so choose. The government's growth target for the current fiscal year (to March 1988) is 3.5 percent, against fiscal 1986's 2.5 percent growth. Despite the strengthening of the yen and the prospect of slower growth in Japan's main export market - the United States - brought on by the fall in world share prices, private economists still believe that the Japanese economy will grow by not much short of the official target. Growth for fiscal 1988 is widely forecast to be around 3 percent.

It is domestic demand that is keeping the economy buoy-ant. The domestic component of gross national product is

forecast to increase by more than 4 percent this year. In the fiscal years 1980-1985, it averaged only 2.6 percent annual growth, while the economy as a whole grew by an average 3.9 percent a year.

Japan's export manufacturing industries are still suffering from the effects of the sharp appreciation of the yea, which has risen from 230 yen to the dollar at the time of the Plaza accord in September 1985 to around 135 now. Corporate profits in the manufacturing sector fell 20 percent last year and are only now starting to recover.

Corporate bankruptcies have been falling on a year-onyear basis since January 1985, but there were still more than 1,000 in October. Japanese exporters continue to shift their low-technology assembly and components production off-shore, slim their work forces and generally tighten their belts another notch each time the dollar falls another 10 yen.

In contrast, domestic-oriented industries are thriving, led by private-sector homebuilding and personal consumption, which is expected to increase by 3.6 percent this year, its strongest growth since 1982. Retail sales volume in the year

Continued on page II

IN THIS REPORT

Wednesday, December 9, 1987

Nakasone's Legacy П The former prime minister's assertive style was a break from traditional Japanese politics, but in the end he had to bow to the consensus-based system.

The Rising Yen IV

The real question now is whether Japanese importers and the entire economy can withstand further appreciation of the yea without sustaining serious damage.

ν U.S. Relations

The reluctance to boost domestic demand has created greater trade frictions with the United States, Japan's largest trading partner.

Bullish on Japan VI From deep pessimism, Japan has shifted to bullish optimism about the economic future.

Real Estate

Residential and commercial land prices in the Tokyo area have soared 93 percent during the past year, creating a crisis full of social and economic implications.

VIII Stocks The Oct. 19 stock market crash bared the

VII

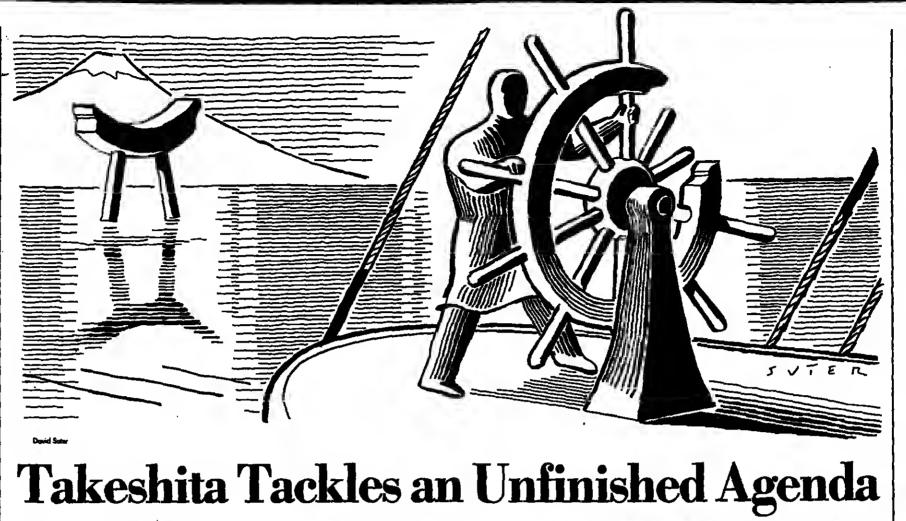
New Technology IX

vulnerability of the Tokyo exchange.

A Nobel Prize winner's warnings have prompted soul-searching among those planning strategies for high-tech development.

Х Art Boom

Cultural consumption has reached a new high. Excess cash has opened up an enormous market for Western art.



to-fulfill expectations abroad that Japan needs to achieve challenges at home that must be tackled in order to

tions. The legacy of his predecessor, Yasuhito Nakasone, is an

broad indirect tax such as a sales tax, and leave the other

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Thatcher of Britain urges Japan and West Germany to stimulate their economies. But ·not make any changes in its economic and

> Europe has become a global community. To help it grow we have to get together. Because, together we can bring new qualities to our lives here in Europe. We can enjoy new ideas, new challenges and new life styles. So let's get to work on tomorrow, today.

> Already, we're co-operating in twelve European nations. We've established financial teams in London and Haarlem to raise financing in Europe for investment in Europe. And in communities where we do invest, we operate on the principle that our activities should pay dividends for the host community.

Together we've also built manufacturing facilities in England, Germany and France. In locations that benefit both the community and our production plans. And we're also pleased to have increased our technical tie-ups with European partners in the areas of semiconductor research and product design.

Where possible, we find European sources for the materials we use in our products. Such as silicon polycrystal from Bavaria, considered by many to be the finest polycrystal in the world.

For years, we've involved ourselves in co-sponsoring various events in Europe. From classical con-

In Touch with Tomorrow BA TOSHIBA CORPORATION certs in London to Japanese sumo wrestling in Paris. And we even sponsor a team in the Tour de France.

We are a leading integrated electronics manufacturer. And all of the above examples embody our wish to bring new qualities to our lives. Not merely by selling our products, but by making real contributions to our communities and our daily lives.

From a manufacturing facility in Brittany to an art exhibition in London, our wish is to bring new qualities to the lives of people all over Europe.

And with your help, that isn't just wishful thinking.

Power-Block Politics
Legacy at the Top

Nakasone: A Leader Who Led Too Fast For the Consensus

By John Burgess

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ASHINGTON - This summer there were still those in Tokyo who thought that Yasuhiro Nakasone just might find his way to another extension as prime min-ister of Japan. So many times before he had proven wrong rivals' pronouncements that he had lost his grip on the job, staying put for five years in the drafty official residence that predecessors had typically occupied

for only two. But Mr. Nakasone did not manage it this time. When his term expired on Nov. 6, he stepped aside resignedly in favor of the nost politically connected of the three "new leaders" who had been stalking the prime ministership, Noboru Takeshita, and the "Nakasone era" finally came to an end. From its start, Mr. Nakasone had been

labeled e new kind of Japanese leader, one with an assertive, perhaps even presidential style. He was handsome, an engaging speaker. His English was fluent — or at least sufficiently so to make small talk with fellow world leaders. He would finally bring to the office, his fans said, a confidence befitting the country's emerging status as an economie superpower. But try as he did, Mr. Nakasone was in

the end a creature of Japan's consensusbased political order and ultimately beholden to it. The circumstances of his departure showed it again. He left oot because of dissatisfaction with his policies - most everyone in the ruling Liberal Democratic Party agrees they must be continued --- but because of the traditional share-the-wealth dictum of the system. He had been in long enough; it was someone else's turn.

Many Japanese were surprised that Mr. Nakasone ever became prime minister. He was a maverick, a breed that normally does cot fare well in Japanese politics. He was uncommonly popular with ordinary Japanese bot not with the ruling party elite that in most cases decides who will get the job. There were ample reasons for his colleagues to dislike him. He oever showed proper respect for the country's conven-tions of self-effacement, talking loudly of his ambitions. ("One cannot become prime minister simply by wishing," he once said.) His intellect and interests were larger than theirs - be practiced Zen meditation and weekend oil painting. So was his vanity. Even as prime minister, Mr. Nakasooe is said to have always kept comb and mirror in his coat pocket to touch up his balding pate at various points in the day.

15%

The son of a lumber firm owner. Mr. Nakasone was a young naval officer during World War II but oever saw combat. Like many of his generation, he brooded after the war over the U.S. occupatioo and be-lieved it stripped Japan of national dignity. Unlike many, he tried to do something about it, entering politics and for years wearing a black necktie of symbolic mourn-

By the mid-1960s, Mr. Nakasone was in By the mid-1960s, Mr. Nakasone was in command of a faction of the LDP, albeit a step of appealing directly to the public for help, foul play in a system where bureau-

small one. He became prime minister in 1982, when disgraced former Prime Minis-ter Kakuei Tanaka threw the weight of his faction, the party's largest, behind Mr. Nakasone. The "Tanakasone" tie-in was to give critics endless ammunition against him; it also helped assure that they were helpless to derail him.

Mr. Nakasooe will be remembered as one of the most nationalist prime ministers of modern Japan. But, in fact, what he did was rarely more than build upon trends (with trademark flair for the dramatic, public gesture) that his predecessors had set in motion years earlier.

They had long been paying visits for rayers at a national shrine to the war dead in Tokyo, but only in a formally declared "private capacity." Mr. Nakasone upped the ante by declaring himself present as prime minister. (He later backed off, how-ever, in the face of protests from China and Sandy Keene heat of thick had been an South Korea, both of which had been victims of Japanese wartime aggression. Normalizing reletions with them was also a

major priority.) Increases in military spending were also a well-established norm. Mr. Nakasone pressed the case further by publicly dump-ing a decade-old policy of limiting the mili-tary budget to 1 percent of the gross nationproduct. He also made a point of al ettending military parades and reviews, attempting to restore soldiers as respected members of the Japanese family.

Probably more of Mr. Nakasone's energy went into the economic field, however. With trade surpluses mounting, be believed that Japan was risking disaster unless it further opened its notoriously closed markets. He masterminded a complex series of tariff-cutting packages, removal of formal bureaucratic barriers to imports, and a commitment to restructure the economy away from export dependence.

Mr. Nakasone moved to reduce the pervasive hands-on regulation that had characterized economic development after the war. The country's sole telephone company (also the world's largest) was demonopolized, denationalized and sold in part to the public. The huge national railway system

was split up into six regional companies. He also cooperated with foreign govern-ments — no doubt without realizing how far things would go — in the upward revalu-ation of the yen. It was trading at 260 to the dollar in early 1985; in November this year it came close to hitting 130, a full 100 percent revaluation. That has brought a wrenching shakeout of the Japanese export

industry. Mr. Nakasone was energetic like few of his predecessors. Bureaucrats from the h-rise ministries of Tokyo's Kasumigaseki district were summooed to his office to receive marching orders on how they were to implement a certain market-opening program. He paid attention to detail, sometimes impressing visitors with his grasp of complex trade subjects.

Several times he took the highly unusual



Noboru Takeshita

Yasuhiro Nakasone

As the Takeshita era begins, Japan reflects on the Nakasone years and the contrast in styles.

crats and politicians think they know best. In 1985, he went on national television to explain market-opening measures and made a oow-famous eppeal that each Japanese buy just \$100 worth of foreign goods, whieb some simple arithmetic showed would wipe out the trade surplus. Ordinary Japanese generally liked Mr. Nakasone. Foreigners did, too. Here was a

man who seemed to think as they did. Foreign leaders felt they could talk straight with him. Out of this was born what the Japanese called the "Ron-Yasu relatiooship," a much ballyhooed personal rapport between Mr. Nakasone and President Ronald Reagan, complete with first-name familiarity.

But bow much did Mr. Nakasooe really accomplish? The telephone company priva-tization was a real and considerable feat. So was scrapping the 1 percent limit on defense spending, though for now its importance is mostly psychological. Tariffs have been cut and regulations changed to the point that many U.S. trade officials grudgingly concede that in terms of formal barriers, at least, Japan is oow as open a market

as that of any industrialized country. The fact remains, however, that the prime minister who made market liberalization a personal crusade presided over the largest trade surpluses in history. The man who was supposed to be expert at keeping the outside world happy has seen relations with the U.S. and Europe slide to their lowest point in years.

Early this year, Mr. Nakasooe suffered perhaps the most stinging defeat of his tenore when wings of his party revolted against a tax reform package in which he had invested enormous personal prestige. He withdrew it in disgrace, breaking the usual pattern that every bill that reaches the parliamentary floor is passed.

The crux of Mr. Nakasone's problem, his critics said, was that be would often rush off with his own ideas without getting the people who mattered on board, be they the powerful bureaucrais or members of his own party. He was trying to lead too force-fully a society still based on consensus and glacial-paced change.

For its new prime minister, Japan has reverted to a man very much of the old school. Mr. Takeshita is short, has an un-memorable face and is given to making nervous grins in international meetings. As every good Japanese poblician should, he says in public that be has a worful lack of abilities but will try his hardest.

His people promise that, controlling the party's largest faction and having mastered the art of political compromise, their man will be able to deliver where Mr. Nakasone has not

Today, Mr. Nakasooe is officially just a faction leader and member of the lower house of the Diet, or parliament, from Gunma prefecture oorth of Tokyo. It was he who anointed Mr. Takeshita when the three oew leaders were unable to reach agreemeot on who should succeed him. No one believes he sees himself as done in politics.

JOHN BURGESS was The Washington Post's Tokyo bureau chief from August 1984 to August 1987. Now based in Washington, he reports on computer technology issues re-lated to international trade.

A One-Party Democracy **Based on 'Money Politics'**

By Lisa Martineau

OKYO — It was just after midnight on Oct. 19. "Black Monday," when Noboru Take-shita became the president of Japan's gov-erning Liberal Democratic Party, and by extension the next prime minister

extensioo the oext prime minister. The world's stock markets had collapsed that day, but, faithfully, the television news, as it had every night, led with footage of the three "new leaders" ---Mr. Takeshita, Shintaro Abe and Kiichi Miyazawa Mr. takesmia, Sinitaro Ade and Knein Miyazawa — agreeing that they could not decide which one of them should be prime minister. Finally, Yasuhiro Nakasone, the outgoing prime minister, was asked to pick the winner. That Mr. Nakasone voted in Mr. Takeshita was initially. Mr. Takeshita market

inevitable. Mr. Takeshita runs most of former Prime Minister Kakuei Tanaka's old faction, whose backing was largely responsible for Mr. Nakasone's term as prime minister.

That a vote was not put to the general LDP membership, or at least to all of the LDP representaoves in the Diet as, in the spirit of party rules, it should have been was irrelevant. The Takeshita faction is the biggest in the party: He would have won, anyway.

Like many Western democracies, Japan has a bicameral parliamentary system. But there the similarities end.

Although there are four opposition parties with sears in the Diet — the Japan Socialist Party (JSP), the Democratic Socialist Party (DSP), the Komeito, and the Japan Communist Party (JCP) - Japanese politics is the LDP.

The LDP has governed Japan since Mr. Takeshita, first entered politics more than 30 years ago. Before this, except for a brief 18-month period, postwar Japan was governed by either the Liberal Party or the Democratic Party, out of whose merger the LDP was

The LDP is a broad spectrum of conservatives, at the moment made up of six nonideological factions named after the faction boss: Takeshita faction, which has 114 members; Miyazawa faction, 89; Nakasone faction, 87; and Abe faction, 85.

The two small factions are Toshio Komoto's, 32,

The two small factions are Toshio Komoto's, 32, and Susumu Nikaido's group of 15. There are only a handful of oonaligned independents. Barring a violent change in the country's fortunes — a radical reorganization of the electoral system, a merger of the opposition parties or a revolution — the LDP looks likely to govern in perpetuity. Japan's electoral system is made up of multi-seat constituencies that elect between three and five can-didates to the legislature, the lower house. Up to eight LDP members, representing the various factions. LDP members, representing the various factions, plus the independents and three or four candidates from the opposition parties might run for these seats. The man who wins (only seven of the 512 lower house members are women, two from the Socialist

Party and five from the Communist Party) will do so because of his local power base, not because of his pobcies.

LDP candidates are chosen, backed and financed by the faction they belong to. About one in three LDP Diet members are related to each other. And 25 percent of all LDP seats are handed down through families.

But powerful candidates can be, and often are, supported by members of other factions, and/or other parties.

The opposition parties, worried about splitting their votes and finding it difficult to draft candidates who might actually win (truly ambitious politicians

majority of the 512 seats. The JSP, the second largest party, only ran 138 candidates to the LDP's 353. The LDP, as a party, takes in less money annualy.

than the fourth biggest, the JCP, which has a by publishing empire. So it is mp to the individual 10 faction bosses to raise money and find candidate. Mr. Takeshita's ability to expand his war cheat is legendary. Last May, one fund-raising party alone. bought m 2 billion yen (more than \$15 million) to the coffers.

Running a faction is an expensive business. Other than paying out campaign funds for his candidate, a faction boss gives his members several million yea to midyear and year-end gifts.

And entertaining one's own and other faction members, bureaucrats, members of the opposition parties, businessmen and others at restaurants that charge 50,000 yen per person adds up to billions of yen annually.

The countrywide constituency offices, its workers and the various support organizations are paid for out of faction funds, as are trips to the big city for the

Barring a violent change, the LDP looks likely to govern in perpetuity.

The faction boss raises this money from companies and special interest groups, such as farming or real estate lobbies

The Japanese call this by its proper name: "money politics." It is acceptable primarily because the mawith it.

The voters know that the LDP is so thoroughly entrenched that only it can deliver the goods, including public works projects and local government subes, and attract new offices, factories and investment from private companies.

And a Diet member, should he wish to remain m vill make sure that his constituency benefits from his term in office as he benefited from their support.

Japan has one of the lowest income differentials in the world. Ninety percent of the Japanese consider themselves middle class. Unlike in Britain and the United States, the gap between rich and poor has not widened in recent years, nor has the percentage of the poor increased. Instead, the majority of people have own nicher.

The current steep rise in land and property prices could radically alter this status, bowever. And the growing awareness by the Japanese that their quality of life, when compared to Enrope and the United States, is woefully inadequate could also provoke wide-scale dissatisfaction with the status quo.

But at the moment, broad dissatisfaction with the Japanese political process is confined to foreign governments and business people, who because they are gaijin, literally an "outside person," are shut out of the benefits of membership in what is one of the most powerful and, in that favorite Japanese phrase, "mitually beneficial" clubs in the world.

join the LDP), are stymicd. During the 1986 general election, only the LDP put up enough candidates to enable it to win a spondent.

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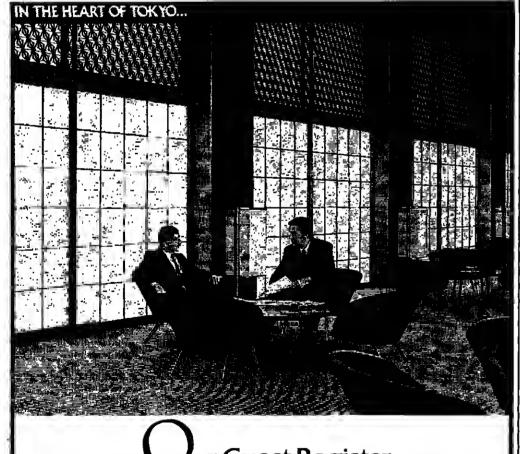
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Continued from page I

to May was running more than 9 percent above its level of a year earlier. New housing starts for the current year are expected to in-crease by 30 percent from last year to match 1972's record 1.8 million. There are oow signs of the surge in private homebuilding tailing off, but public works projects are starting to take up the slack.

May, it increased its public works spending from 1986's 6.9 trillion yen to 7.2 trillion yen — the same level as in fiscal 1982.

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This year, the government re-versed its six-year-old policy of budgetary austerity. Through a 6 in Nippon Telegraph and Tele-of demand-boosting economic measures announced in outline in than-expected tax revenues from this year and 500 million yen in allocated but unspent money from the 6 trillion yen package gives him scope for a further injection of Mr. Takeshita's government in-tends to hold public works spend-ing to at least that level in fiscal 1988. The final size of any supplemen-tary budget will be determined by

fears of a resurgence of domestic inflation. Although consumer prices are rising at less than 1 percent a year, bottleneck inflationary pressures such as building material price rises and skilled la-bor shortages are causing concern that the economy risks overheat-

In the minds of many foreign politicians, the vigor of the domestic side of the economy has yet to overshadow Japan's persistent surpluses on the external side. These are beginning to shrink, and the change in direction in the economy is irreversible, but it is a . slow process and foreign perceptions of Japan's economic performance change as slowly. The overall trade balance has

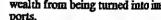
started to narrow from its peak in the first quarter of this year, but it is still expected to record a record \$96 billion for the full year. Next year, it is likely to shrink to \$81 billion. But the politically sensibinon. But the pointcally sensi-tive bilateral trade surplus with the United States remains seem-ingly intractable. It was \$58.6 bil-lion in 1986 and forecast to fall only marginally this year. Japan's trade problem is one of too few imports rather than too many exports. Even at its peak, the ratio of Japan's exports to GNP.

ratio of Japan's exports to GNP was barely 13 percent. The ratio for West Germany is 30 percent. But while imports account for the equivalent of 26 percent of West Germany's GNP, the figure for Japan is only 6 percent. Removing further barriers to in-

creasing the 5 percent figure is the ruain domestic economic task for Mr. Takeshita. The basic restructuring of the economy from one being driven by Japan's export in-dustries to one being led by do-mestic demand has been under way for several years. He now has

to make further structural changes to make further structural changes to free up the ecocomy. The main ones among these are the astronomical prices of land in Tokyo, e distorted tax system, highly protected agriculture, the Byzantine system of wholesale and retail distribution and the closed construction industry closed construction industry. High land prices keep too much Japanese wealth locked up in un-productive assets. Even were it to be freed overnight for consump-

tion, the distribution system, agri-cultural protection and the virtu-ally closed system of bidding on constructioo contracts would prevent much of that newly liberated



tax reform his predecessor started. The government needs new sources of revenue to pay for extra public works, and in the longer term to pay for Japan's aging population

ulation. But it is agriculture and the con-struction market that are now at the top of the United States' agen-da for opening Japan's domestic markets. The new U.S. commerce secretary, C. William Verity, made: construction the focal point of a four-day visit to Tokyo Iast month. Washington sees Japanese public works projects as a poten-tial \$200 billion market over the next 10 years. next 10 years.

The need to tackle such prob-lens is pressing. The rest of the world is looking to Japan, and to a lesser extent West Germany, 10 take up the economic slack left by

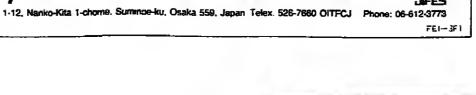
a sputtering U.S. economy. The question now being asked in Tokyo and beyond is whether Mr. Takeshita's political style – patient, traditional Japanese con-sensus-building, backed by the power of patronage and cash – is appropriate for the circumstances

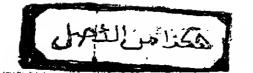
Japan finds itself in. The doubts fall into two catego-ries. One is whether Mr. Takeshitt has the time his patient style de-mands. He is fortunate that the rest of the world is now looking at the United States and West Germany as the economic bad boys rather than Japan. But that will give him only a temporary respite. His budget for fiscal 1988, which should be drawn up by the end of the year, will be scrutinized as a statement of where Japan stands in its willingness to do its bit for the world economy.

The other doubt concerns Mr. Takeshita's political will. His supporters say that he is the only Japanese politician with sufficient power to move the vested interests that have blocked change in the five domestic areas where it is most needed. Yet these are some of the Liberal Democratic Party's main financial supporters - farmers, small businessmen and the retail, construction and property lobbics. Mr. Takeshita's critics fear that he will be more beholden

move them. PAUL MAIDMENT is The Economist's Tokyo correspondent.

to those interests than able to

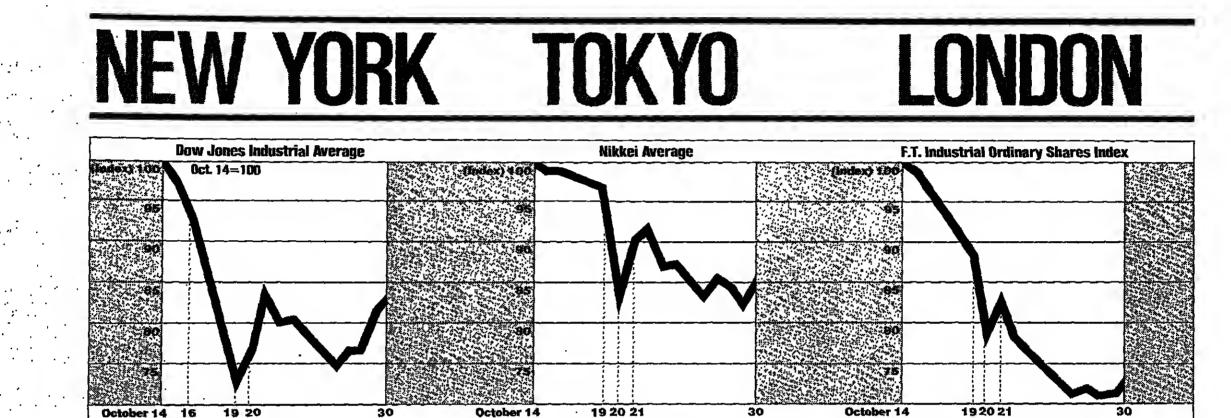




TOKYO, OCTOBER 1987 WHAT HAPPENED AND WHY?

Investor Confidence and a Strong Economy

Stabilize the Tokyo Market



New York, London, Tokyo....

The world's three great stock markets are forging mutual links, making 24-hour global trading a financial reality. Events on October 19th show just how interrelated the three approximately ¥700 billion, roughly triple the previously recorded high in September. Other Japanese investors who played a stabilizing role in the Tokyo market include financial institutions and corporations, accounting for ¥1,122.9 billion of net purchases, and investment trusts accounting for ¥93.6 billion. This purchasing trend partially olfset the sciling by overscas investors, which reached ¥2,023 billion in October. As for the week of the crash (October 19th ~ 24th), overseas investors sold ¥1,045 billion worth of stocks on the Tokyo market. Japanese financial institutions were net purchasers of only ¥78 billion, but individual investors supported the market by purchasing some ¥623 billion worth of stocks, and non-financial institutions were net buyers by ¥190 billion. This buying by Japanese individual investors and corporations counterbalanced the selling by foreign investors in Tokyo. Confidence remained high, and stability returned quickly.

Strong Economy and Solid Savings' Structure

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One reason for such strong support buying by Japanese investors is their faith in the fundamental strength of the Japanese economy. Japanese businesses, especially in the hi-tech industries, have overcome the oil shocks of the '70's and the yen appreciation of the '80's and have adapted to the new international business environment. According to the OECD, the combined effect of the fall in stock prices and the low dollar will only slightly affect 1988's real G.N.P., decreasing it by just 0.25%. In fact, the Nihon Keizai Shimbun predicts that for the fiscal year ending in March 1988, the average ordinary profit of all listed Japanese companies will increase by 29% over the previous year. Another reason for investor support is the high rate of individual savings. In 1985, Japan's individual savings ratio reached 16.0%, demonstrating a strong propensity to save. In comparison, the West German rate was 11.4% while the U.S. rate was only 5.2%. Given the percentage of total savings invested in stocks, which is 8.5% lower than the U.S. rate of 22%, erosion of assets due to the crash was relatively slight, despite the strong growth in stock investments. Japanese financial institutions will also continue to use stock investments as part of their asset management programs. The fundamental strength of Japan's economy has instilled confidence in both individual and institutional investors, which in turn has provided stability in otherwise volarile financial markets. Investor confidence and economic strength make Tokyo the safest market in volatile times.

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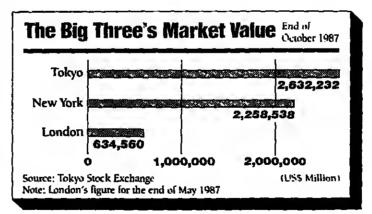
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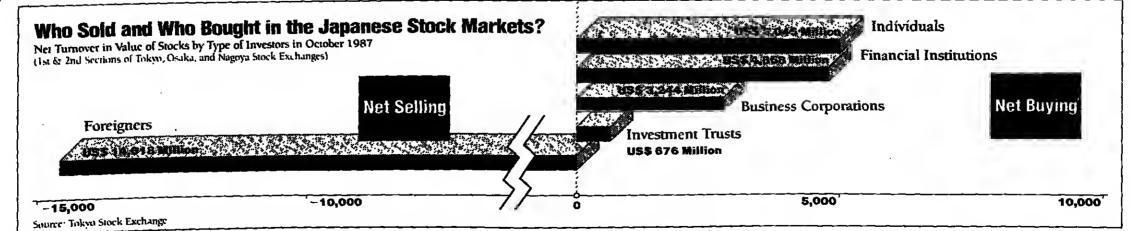
major international stock markets have become. Severe jolts were felt throughout the world's financial markets when investors, wary of the U.S.'s enormous trade and Treasury deficits and the weakening dollar, began a massive sell-off. On Black Monday, the New York Dow Jones industrial average declined a record 22.6% in one day. London recorded a similar decline, and the next day in Tokyo, overseas investors sold a staggering amount of stocks, driving the Nikkei Average down 14.9% and triggering the market's automatic loss limiting system. During the week of the crash, the Dow Jones' and Financial Times' indexes fell below their year-high levels by 36.1% and 32.1%

However, in the same period, the farthest the Nikkei Averagefell below its 1987 high was a relatively low 17.8%. And by the weeks' end, the Nikkei Average had rebounded a strong +.2%, making the Tokyo market's resilience the focus of attention among international investors.

Individual Investors Help Stabilize the Tokyo Market

The key players in cushioning the fall on the Tokyo market were Japanese individual investors. During the month of October, net purchases by individual investors came to





Note: All U.S. dollar figures represent translations of yen amounts as supplied by the TSE at the rate of U.S.S1 = ¥138.40, and are given here for conventence only.



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Currency Imports

Dollar's Steep Drop Stirs New Interest in Yen

By Marybeth Nibley

ONDON — The Japanese yen has played a bit part on the international scene since World War II, with other cur-rencies, most recently the U.S. dollar, in the leading roles.

The dollar's steep descent this autumn amid growing dissatisfaction with U.S. economic tewardship has stirred new interest in the yen. Although the yen has begun to share more of the limelight in recent years, economists doubt it will ever occupy center stage, at least not for a long time to come.

There are many arguments that can be made for why Japan and its currency should have a more prominent place.

Compared with the rest of the capitalist world, Japan has shown itself more adept at deindustrialization. This process has been painful for most mature economies, swelling unemployment rolls and forcing the redefinition of entire sectors.

Japan has done it better, partly because of a political system that leaves intact a hureaucracy, providing "continuity of purpose that transcends political change, something that can't be said of the U.S. or the U.K.," said Douglas Anthony, a lecturer at the center for Japanese studies of the University of Sheffield.

In addition, the social solidarity Japan is known for has engendered a close understanding between government and business and allowed a cooperation to occur that is unknown elsewhere. The weakness of the labor movement has removed a potential obstacle to that cooperation, Mr. Anthony said

Recently, the Japanese economy has demonstrated an astounding aptitude for adaptation as the yen has surged against the dollar.

Alan Budd, director of the center for economic forecasting at the London Business School, said the Japanese responded in several ways after the high-flying dollar began losing altitude, particularly against the yen, two years

ago. "When Japanese are faced with difficulties, they work harder," Professor Budd said. "They have been able through their own efforts to offset the impact of the yen's rise."

The hard work paid off in productivity gains. It also resulted in Japan moving production offshore, to South Korea, for instance, to take advantage of lower labor costs and more favorable exchange rates.

"The Japanese have been complaining about e. ports from 240 [yen to the dollar] down, and the fact is, exports are still doing very well," said Paul Chertkow, director of economics at the London-based investment house Hoare Govett Ltd.

The question now, after the stock market collapse and the dollar crisis, is whether Japanese exporters and the Japanese ecocomy itself can withstand a further appreciation of the yea without sustaining serious damage.

One possibility is that the yen's increasing strength might cancel out the stimulative impact of tax cuts and expenditures oo public works projects. Those policies formed the foundation oo which Japan is huilding its future of becoming an economy more driven by demonstrating export prowess.

In fact, Japan should rightly be seen as an internally powered and agricultural economy, unlike the popular perception of it as an economy relying on exports. Last year, exports of goods and services accounted for 12.9 percent of Japan's gross national product, and shipments to the United States comprised about 5

Post-crash projections show the Japanese economy expanding hy about 3 percent to 3.25 percent, or some .25 percent less than it might have had equities markets and the dollar held

Tony Beckwith, an assistant director at County NatWest Ltd. in London, said Japanese exporters would not ootice any significant impairment in their profitability until March 1988. He explained that they protected themselves against exchange rate shifts by forward sales of the dollar, meaning that their earnings will be based on a better yen-dollar rate than they would have received now. They locked in a rate of about 145 yea per dollar.

"The fact that the yen is around 135 [to the dollar] now is neither here nor there," Mr. Beckwith said. "Their profits are insulated from any currency movements this year." Of course, they cannot depend on selling as

many video cassette recorders or cars to the important U.S. market due to the Wall Street collapse and the loss of U.S. household wealth that it implies. But Mr. Beckwith believes it will be next spring before Americans decide to curtail spending, so it will be some months before Japanese exporters experience any noticeable reduction in volume.

Beyond next spring, things could be differ-ent. The scope for seiling the dollar forward will be limited and shipments will likely be down, Mr. Beckwith said. He estimates that exporters' profit growth will shrink to about 10 percent to 15 percent oext year from about 25 percent to 30 percent this year.

How well Japan's exporters cope hinges on how fast any further appreciation of the yen takes place.

"If the yen goes to 125 [to the dollar] oext year, exporters will still make a profit. But if it goes to 125 tomorrow, exporters will suffer," said Hitoshi Okuda, an economist at Nomura Research Institute in London.

Many analysts expect that the yen still has some distance to cover before ending its upward climh against the dollar, and they expect the yen will catch up on the Deutsche mark, based on the greater anticipated strength of the Japanese economy than the West German economy

With the West German economy growing only about half as fast as Japan's, the yen should appreciate to about 75 yen to the mark next year, compared to about 80 yen oow.

The yen could trade in a range of 125 to 135 to the dollar, perhaps temporarily reaching 120 in volatile situations, economists said. Japa-oese exporters are believed to have prepared their hudgets and profit forecasts for next year based on the yen fetching anywhere from 120 to 130 to the dollar.

Attentioo has been focused on Japan lately with pundits offering opinions on how well its huge stock market will fare in coming months,

domestic demand after more than a decade of The market has not suffered as hadly as others, because the Japanese themselves picked up shares dumped by foreigners.

Owing to large losses on equities overseas, Japanese investors retrenched, opting to park their money at home, According to Brendan Brown, chief econo-

mist at County NatWest, the "domestic stayal-home philosophy" is one reason why the yen will rise more. If Japan is able to keep its stock market aloft

through what many observers consider artifi-cial means, "they will have proved that they can control their market and they can control their currency," said financier Sir James Goldsmith.

In an interview with Time magazine, he said, "If they succeed, there will have been a transition of economic power from the U.S. to Ja-pan. . . If the U.S. now thrusts economic power into the hands of the Japanese, 10 years from now the two superpowers may be the

Soviet Union and the Japanese." There is very little likelihood of such a high Japanese profile for a variety of reasons, economists said.

Recent rumblings from the Japanese Finance Ministry in favor of a more even distrihution of economic power among Japan, the United States and West Germany have led to speculation that such a new power equilibrium would be balanced on the currencies of all three countries, replacing the current dollarbased arrangement

But economists interpret the rumblings as Japanese commentary on U.S. fiscal irrespon-

sibility rather than as a declaration of desire to assume world economic leadership.

The massive intervention carried out by the Bank of Japan during the dollar's autumn slide was motivated by domestic considerations. The huge purchases by Japan reflected fears that a prolonged dollar free-fall could cause sales to the United States to disappear, economists said.

Becoming the world's banker would involve duties that Japan is reluctant to perform and would force it to sacrifice some of its independence.

"If you are the custodian of the world's reserve currency, you get certain benefits but you also have certain responsibilities," Professor Budd said. "The question for the Japanese is, are they prepared to have both sides of the balance?

The answer seems to be no, for the foresee able future. Some economists say Japan could be ready by the end of this century because it already has started to affect the world instead of being affected by it.

"It is a fashionable idea to think Japan has decoupled itself from the U.S. economy." said Mr. Brown of County NatWest

An impediment to a higher yen profile is the relative unattractiveness of yen holdings. Yenbased interest rates are much lower than European or U.S. rates, making returns less appeal-

Another reason to think things will stay as iomed to the dollar. they are for the yen is the new prime minister. Noboru Takeshita. He was groomed in Japan's

the London branch of the Canadian Ingen Bank of Commerce: "The world will also traditional consensus-huilding school and is thought to be less interested in world affairs. than other Japanese politicians, such as Fi-nance Minister Kiichi Miyazawa. dollars."

How Exporters Cope Japanese yen to the dollar 120 Dec. 4 To sategoard point exporters base the 130 March 88 Scope for selling dolstrong as 120 to to lar forward becomes limited. Export ship June 88 125 dollar. ents likely will de rise to 125 is slow, exporters can retain dine. profitobility, hut speedy rise could 145 Sept. 87 Exponters move projuction abroad to cut costs, Forward sales of dollar protect 1987

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By Andrew Horvat

OKYO — The slogan on hundreds of luggage carts in the customs area at Tokyo's Narita International Airport reads: "Imports Bring Us Closer Together." The message is indeed a sign of the times. But hardly an hour away by car, at the Ohi branch of the same customs bureau,

old habits seem to die hard. "I told you to fill out your documents incorrectly," said a clerk at the Sumitomo warehouse at Ohi. A foreign resident had failed to pay attention to the clerk and had used his correct address on his customs forms.

"It is incorrect on the package, so it has to be incorrect oo your customs form, too," the clerk insisted, refusing to hand over the foreigner's goods until be went back to the customs office, revised his address to the incorrect version and had his documents stamped "corrected" by an official.

The clerk's colleague looked at the foreigner, who was hy now cursing under his hreath, and said: "Please do as he says. The customs officials check our work and if the two addresses do not coincide exactly, we are in trouble."

In spite of a rollhack of customs duties on oearly 2,000 items and an 80 percent increase in the value of the yen against the dollar in two

years, nontariff barriers continue to hlunt the edge of successive attempts to decrease Japan's embarrassingly huge trade surpluses. Last year, Japan's overall trade surplus surpassed \$80 hillion.

All the same, there have been some remarkable changes. Government officials realize that the survival of the world trading system, on which Japan's continued prosperity depends. hinges on Japan's ability to absorb more imports.

The Japan External Trade Organization. which at one time devoted all its energies to promoting Japanese exports, today runs a free counseling service for consumers wishing to bypass importers and middlemen and engage in what is known as kojin yunyu, or individual imports. The campaign is based on the belief that imports are expensive because of high markups on low-volume sales charged by middlemen

With the exception of formidable growth in intermediate manufactured imports from Taiwan. Singapore, Hong Kong and Sooth Korea by Japanese companies wishing to load their export products with cheaper parts to make them more competitive overseas, hy and large, the increases in Japan's imports so far consist of more show than go.

For example, while Japan registered a yearto-year decrease in its trade surplus for five

consecutive months this year. Finance Minisuv officials have acknowledged that the decline in the trade gap has been due in large part to the jump in the price of crude oil. The perbarrel price last October had been \$12.75; a year later it had risen to \$18.39.

In October, Japan's surplus with the European Community widened; imports fell by 16. percent while exports went up by 19 percent. While Japan's surplus with the United States shrank in that same month by \$30 million, Japanese trade statistics factor insurance and freight into the cost of imports (but not exports), thus, U.S. figures that show FOB in both directions for October are likely to indicate a continued growth in the Japanese hlack figure. It was only in Japan's trade with Southeast Asia that the surplus contracted noticeably, from \$1.11 billion in October 1986, to \$864.5 million in the same month this year.

The Finance Ministry reported that customs-cleared trade plunged to a \$2.09 billion surplus in the first 20 days of November, from a \$3.9 billion surplus a year earlier. (The ministry does not release a country breakdown for the interim trade figures.)

Perhaps the best illustration of the difficulties imports continue to face in Japan can be seen in the case of automobiles. A relaxation of previously stringent inspections of foreign cars ANDREW HORVAT is has resulted in a steady increase in imports. dent of The Independent.

Last year, even after a 35 percent increase foreign car sales, imported vehicles account for a little more than I percent of all me registrations. Even when trucks, buses and tration of about 2 percent; this compares with roughly 25 percent in the United States 1 percent in France and more than 40 percent Britain

What makes such low volume sales si attractive is that almost all foreign cars sold is Japan are at the inxury end of the marker

Next year, however, there will be a new kind imported car to which no Japanese officialin ->likely to object. Honda will start importing cars from its American factory at Marystile Ohio. Initial shipments of the American Act cords will be 3,000 units, but by 1991 the company hopes to import 50,000 cars per year. .-

To what degree such imports will represent re-importation of what Japan has exported-Sony already does this with picture tubes from

Sony aneany does this with pectate internal San Diego — is difficult to say. While such re-importing may swell Jahan's and manufactured imports statistics, it may not g very far in convincing foreign competitors the the Japanese market is truly open to outsiden

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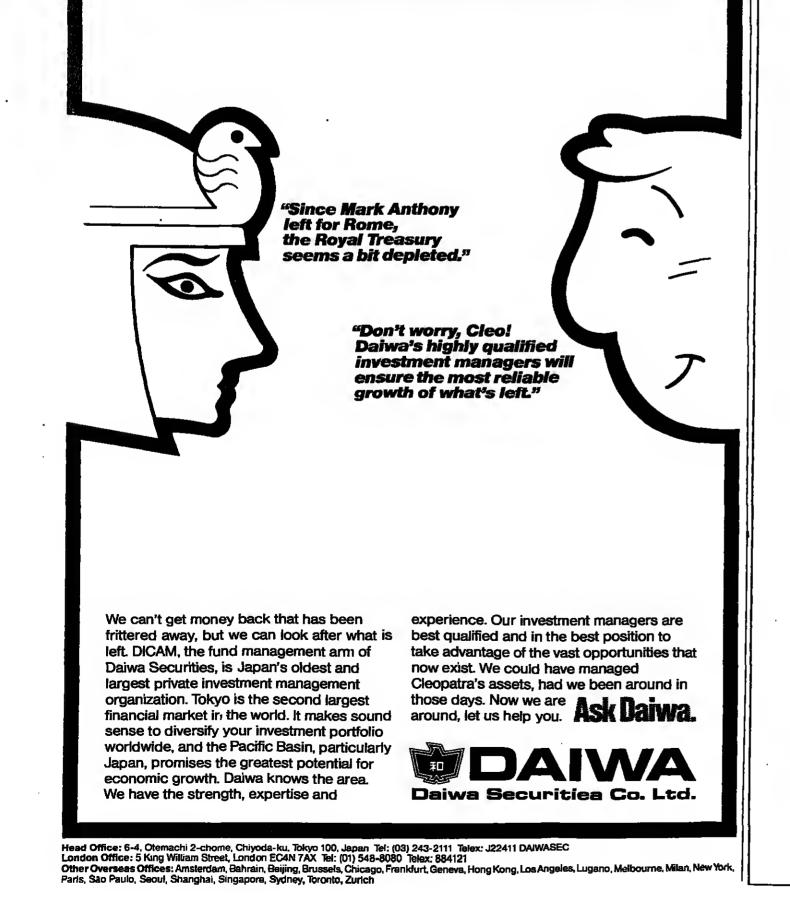
ANDREW HORVAT is the Tokyo correspont

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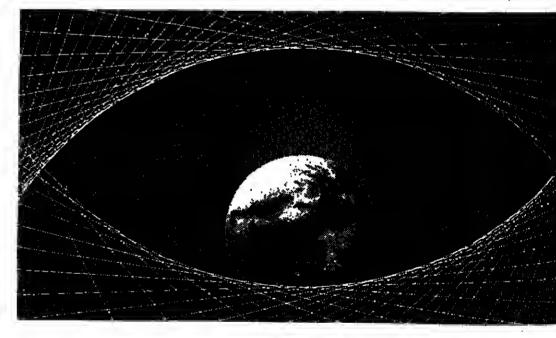
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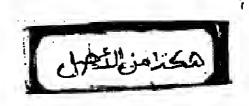
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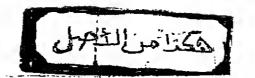
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Japanese imports of American high-technology and automotive products in-

creased 36.7 percent from 1985 to 1986, while exports grew by 18 percent, but

Japan's trade surplus for manufactured products continues to grow. The U.S.

183

edge in agricultural trade, meanwhile, has declined for two years in a row.

Automotive

(S billions)

40

Japan vs. U.S.: Tracking the Trade Surplus

U.S. Relations Trade Strategy

Reluctance to Boost Domestic Demand Sours Trade Ties With U.S.

The perception in Washington: Japan only moves if it is slapped in the face with strong, unexpected action.

By Stuart Auerbach

ASHINGTON — The United States' relations with Japan "could hardly be better" except for "one bad apple — trade," Commerce Secretary C. William Verity told the National Press Club here early last month in his first major speech in his new job. One week later, Mr. Verity left for Japan and

found out just how bad an apple trade is in the totality of a relationship that U.S. Ambassador Mike Mansfield calls "the most important in the world."

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At every point, the new Japanese govern-ment of Prime Minister Noboru Takeshita rebuilted Mr. Verity's call for greater and quicker moves to end public and private practices that keep American and other foreign companies from doing business in Japan with the same ease that Japanese companies have in the rest of the world.

of the world. In the end, Mr. Verity insisted that the negative reception given to the substance of his visit was not disappointing. - But to administration officials here, it sig-naled that their worst fears had been realized and that relations between the Umited States

and Japan face greater trade frictions oow than in the past few years.

"Japan has got a big problem with us for a change," said a senior administration trade official. He added that this was a turnabout from the past, when it was the United States that had problems with Japan.

In speech after speech in Japan, Mr. Verity warned that Japan faces retaliation from the United States, its largest trading partner, if it continues its protectionist practices. "Our trade imbalance with Japan is simply not sustainable," Mr. Verity said in a speech to the Japan National Press Club. That imbalance was \$58.6 billion last year.

Mr. Verity bored in on Japan's refusal to open \$62 billion in public works projects to foreign bidders and on a new irritant: Japanese companies' failure to increase export prices to match the sharp rise in the value of the yen,

"There will be a very difficult time trying to keep our Congress from not retaliating in some way" because of Japan's closed attitude on

giving equal access to foreign construction

panies, he said. But that is a hot potato of a political issue in Japan, since Mr. Takeshita and his faction of the ruling Liberal Democratic Party maintain close ties with the Japanese construction indus-

In Washington, administration officials, aware of the organive atmosphere that Mr. Verity met with in Tokyo, laid the groundwork for U.S. retaliation against Japan over the public works issue. A subcabinet-level group has approved the retaliation, the second this year against Japan's trade practices, but the cabinet-level Economic Policy Council was not likely to discuss it until after the visit of Mikhail S. Gorbachev, the Soviet leader. Only Secretary of State George P. Shultz has been reported to oppose the retaliation.

There is a growing perception in Washington that Japan only moves if it is slapped in the face with some strong, unexpected action. The view that Japan will move away from protec-tionism only by actions, not negotiations, is widely held among some members of the Reagan administration and on Capitol Hill. This appraisal is buttressed by three major examples of Japan's taking action only after a shock.

Japan began to change its economy away from total dependence on exports to one driven to a greater degree by domestic demand only after suffering through yen shock. There is a feeling in Washington, however, that the yen has to increase even more in value to force Japan to boost domestic demand. That will make Japanese products cost more in foreign markets, and therefore become less competitive, while imports will become cheaper and more competitive in Japan.

It took the shock of President Ronald Reagan's retaliation against Japan for failing to keep the semiconductor trade agreement to force Japanese manufacturers to stop dumping memory chips in other countries. Despite years of growing trade friction between the United States and Japan, this was the first time the United States had actually placed sanctions on Japan,

Although Mr. Reagan found that Japan had stopped dumping, he also said it was oot keep-ing an equally critical part of the agreement

calling for it to buy more U.S.-made memory chips. As a result, Mr. Reagan has continued some of the sanctions. The pressure of the sanctions is also believed to have forced Japan to begin buying some American supercomputers for its government offices and universities after years of stalling on such purchases.

Agriculture

(\$ billions)

Finally, Japan only began to get serious about doing its part to keep militarily-sensitive technology away from the Soviet bloc when the Senate voted overwhelmingly this summer to ban the sales of all Toshiba products in the United States. This was in retaliation for Toshiba joining with a state-owned Norwegian arms company, Koogsberg Vaspenfabrikk, in selling the Soviets computer-controlled milling machinety that allowed them to make their submarines quiet enough to evade Western detection.

With new sanctions on the horizon, Japanese diplomats are reported in Washington and in Tokyo to be trying to postpone any talk of retaliation until Mr. Takeshita makes his first visit to the United States in January. In the past, the Reagan administration has bowed to this kind of request in an effort to keep the waters calm. It is unclear, however, whether the effort will succeed this time.

Government officials and business leaders visiting Washingtoo from Japan, meanwhile, are arguing against sanctions by saying that they anger the Japanese, who feel that they are

being punished unfairly for their successes. Even the outgoing prime minister, Yasuhiro Nakasone, argued against sanctions in his final letter to Mr. Reagan. "I believe that the working principle for us

High-Tech

(\$ billions)

25

15

has been that our two countries work jointly to resolve our problems rather than resorting to unilateral measures, such as [retaliatioo] based oo Sectioo 301 [of the U.S. trade laws]," Mr. Nakasone wrote.

"It would be most unfortunate," Mr. Naka-sone continued, "if the working relations between the new Japanese administration and vours were to take off on the wrong foot. 1 earnestly hope you will be able to give a well-considered political decision oo this issue from the viewpoint of the overall U.S.-Japan relations."

But there may be deeper troubles for Japan just over the horizon. For years, Japan has been able to fend off threats of trade retaliation by appealing to the deeper relationship between the two countries, especially its strategic importance in the Pacific and its role as a good ally around the world.

But now that relationship is being called into question. Conservative Republicans on Capitol Hill, mainstays of the move to punish Toshiba for its sale of strategic goods to the Soviet Union, also are jumping on Japan for its trade ties to Nicaragua, Vietnam and Cuba. (At the same time, blacks and other liberals are

angry at Japan for its increased trade with South Africa.)

Total

Trade

50

40

30

Surplus

(\$ billions)

Japan faces increasing criticism, moreover, for not pulling its weight in keeping the Gulf sea lanes open, especially since the bulk of its oil comes through waterways protected at great expense and some loss of life by the U.S. Navy. This criticism has grown with Japan's refusal to join in a U.S.-led boycott of Iranian oil.

Mr. Verity brought up the oil boycott in Tokyo, promising that Saudi Arabia and the United Arab Emirates could make up the shortfall. "It might be the lever that will bring Japan into the UN cease-fire plan in the Iran-Iraq War," he said

Some elements in the Pentagon, furthermore, are concerned about the defense establishment's growing reliance on foreign suppliers, largely Japan, for the high-technology components required in modern weapon systems. This concern was largely responsible for the political battle that led to a Japanese company, Fujitsu, withdrawing from a deal to buy a major Silicoo Valley semiconductor compaoy, Fairchilds, earlier this year.

This concern also provided the force behind a letter from Bruce Smart Jr., Commerce Department undersecretary for international trade, suggesting that a purchase by the Massachusens Institute of Technology of a Japanesemade supercomputer might spark an unfair trade practice complaint from the Reagan ad-

ministration. As a result, MIT decided against buying the Japanese supercomputer. A Japanese trade official in Washington called Mr. Smart's letter "a slap in the face" to

Mr. Takeshita, who was just about to take

office when it was written. It appears likely that Japan can expect more blunt words from the United States. Before leaving for Tokyo, for instance, Mr. Verity pointed out that Japan suffers a credibility gap in that it has continually promised market-opening moves, hut that they have resulted in few U.S. sales.

It uses the second seco

it going. He said that Japan is the only major indus-trialized nation that has failed over the past 20 years to increase its imports as a percentage of gross domestic product. For Japan, the per-centage fell, from 1.8 to 1.6, while the figure for the United States rose from 1.8 percent to 5.4 percent and for Britain from 1.8 percent to 5 percent.

Two years ago, Japan took just 7 percent of the manufactured exports of Third World countries compared with 63 percent for the United States, Mr. Verity said.

Japan still refuses to allow government enti-ties to huy foreign satellites "despite years of space cooperation between our two countries in which our government has generously shared its technology and resources," he said. While Japanese constructioo companies do \$2 billion worth of business in the United States, foreign companies are not allowed to compete for public works jobs run by the government of Japan.

The United States is willing to put its farm policies on the table in the new round of the General Agreement on Tariffs and Trade. But Japan, whose citizens pay exorbitant prices for food to protect its inefficient agriculture sector, maintains strict farm quotas that just have been denounced by GATT and refuses to discuss an end to its barriers to any imports of nce

As bad as trade relations appear at the moment, Mr. Verity voiced the hope of most American leaders that things will get better in what he called a new era of "mutual responsihility in shared leadership.

But the first item on his list appears to be the hardest for Japan to accept. It poses the question: "Can we join forces and work together to reduce the protectionist elements of the Japaoese economy and open new markets in Japan for world traders?

STUART AUERBACH reports on international trade for The Washington Post.

'Made in Japan' Becoming Less So

By Andrew Horvat

OKYO -- This time last year, stock market analysts were advising their clients to stay away from the shares of Japatronics makers. The argument

ment funding this year, many of Ja-pan's export-oriented industries, which initially suffered from a high yea, have managed to engage in some restructuring of their own.

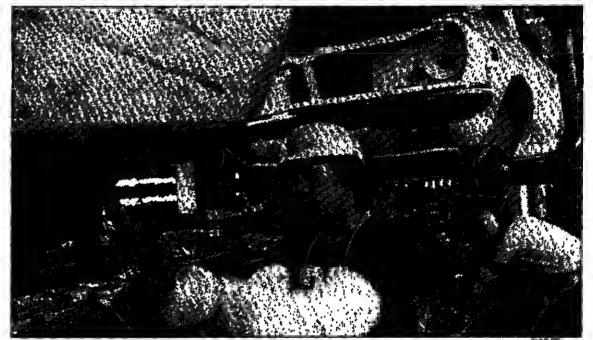
As Toray's Mr. Fukami explained, his company trimmed its marginal oput 1,000 w

make up their machines --- say from 1,000 parts in a video tape recorder to about 200 - and they have increased the number of parts they import from their overseas subsidiaries."

Toshiba and Sanyo, for example, are importing picture tubes from South Korea for television sets assembled in

where tiny boxcars full of bolts move silently oo rubber tracks from one numerically controlled machine to another, was completed in 1984, just in time for the 80 percent increase in the value of the yen against the dollar, a process

that started with the Plaza accord in September 1985. Mr. Kawashita says his goal is to cut out exports from his



the analysts were offering was that the 70 percent decline in the value of the dollar against the yen in a little more than one year had destroyed all hopes of profitability for such export-oriented companies.

A year later, six of Japan's major electronics makers -- Fujitsu, Hitachi, Toshiba, Mitsubishi Electric, Sharp and NEC - all showed increased protax profits and expected to finish the fiscal year (ending March 1988) with increases ranging from 5.8 percent to just under 100 percent.

Electronics companies were oot alone in confounding the experts. Toray, a leading chemical fiber compa-iny, was one of many that was expected to suffer. But Kiyoshi Fukami, a director at Toray, said in a recent interview, "Our operating profits for the six months ending September have almost reached the record levels of 1984."

In September 1985, when the finance chiefs of the world's five leading industrialized countries decided in New York's Plaza Hotel to send the dollar tumbling against the yen, their hope for Japan was that a higher currency would lead to a restructuring of the Japanese economy, dulling the competitiveness of Japanese products and forcing Japaoese industry to look to domestic de mand for increased profits.

While such domestic demand areas as housing and public works have boomed because of generous govern-

payrolls and reaped the benefits of previous investments in factories in Southeast Asia, where currencies remained stable against the dollar.

The formula used by other companies to boost the competitiveness of their products is remarkably similar. It consisted of importing hasic compo-nents from plants in the oewly industri-alized countries (NICs) of Asia, export-ing production to them and using severely rationalized factories at home to supply the domestic market.

Aiwa, a middle-level electronics maker with close ties to Sony, offers an extreme example of such rationalization. Whereas last year Aiwa relied on its Singapore plant for about 12 percent of its Japanese sales, by next year that ratio is expected to shift to 50 percent. Unlike many Japanese electronics man-ufacturers, who look to the NICs for cheap parts, Aiwa imports its own fully assembled cassette recorders from Singapore although its higher value-added products are still assembled in Japan. Matsushita, the electronics giant, also hopes to reduce its dependency on Jap-anese plants from 86 percent this year to 75 percent in the medium term.

Ed Merner, director of Schroder Investment Management Japan, says that Japanese electronics makers have resorted to a two-pronged method of cost-cutting: "They have drastically simplified and decreased the parts that

Japan. At many discount shops in Tokyo the electronic items say on the box Made in Japan," but little other than the final assembly is done in Japan. The Japanese have begun to call this phe-nomenon international distribution of

Although the most widely publicized examples of such redistribution are offered by the Japanese auto industry, which in five years is expected to produce almost as many cars in North America as it exports from Japan at present, many Japanese car firms moved production abroad reluctantly. mostly in order to placate protectionist sentiment in the United States.

OME of the most successful cases of strategic planning to beat the high yen are offered by small and medium-sized firms, which have nearly quadrupled their overseas investment in dollar terms since 1983.

For example, the Yamahiro compa-oy, a specialist in bolts for the construc-tion industry, supplies the American market from an affiliate in South Korea, and its Common Market customers from its own factory in France.

"We experienced one very tough year in 1978," said Fukunosuke Kawashita, president of Yamahiro. "That was when we decided to build a plant that could be profitable at 170 yen [to the dollar]." The company's Osaka plant, Osaka plant altogether, but 50 percent of production still goes abroad. The relocation of manufacturing

away from Japan has not gone unnoticed by unions and paternalistic bureaucrats at the Ministry of Labor. While the process is expected to strengthen whole industries, it has led to an increase in unemployment. Officials at the ministry expect serious problems, especially for middle-aged hhue-collar workers let go by smaller companies. According to one official estimate, nearly half a million jobs have already been moved out of Japan since late 1985 and another 2.2 million employment opportunities are expected to be moved abroad hy 1995.

Another casualty of change has been the strong links between large assemblers and their traditional suppliers. Until recently, the semi-feudal relationship between car companies and their component suppliers was seen as uniquely Japanese, and unlikely to change. Certainly, the relationship was often cited by the car companies as a reason for oot huying foreign parts. But Teikoku Chrome, which special-izes in the plating of body dyes and which until last year supplied only one of Japan's nine automakers, as of this

year is selling its services to anyone willing to pay. As Teikoku's president, Toyohiko Ichikawa, put it recently; "One day we were told we had to lower

TERREDHOTELS

Workers on an assembly line at Nissan's factory at Zawa.

our prices." Mr. Ichikawa's response was to cut his ties with his parent com-pany from 100 percent to about 30 percent and offer his services to other automakers.

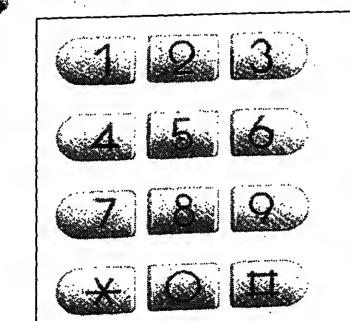
Teikoku, however, argued from a positioo of strength. The company has a plating technique that it developed on its own. For thousands of small Japa-nese companies located in 55 specially designated export-dependent areas dif ficulties remain. Between October 1985 and August this year, nearly 3,500 such firms went out of business as a result of the high yen. Of these, 272 went bank-rupt and 3,148 quietly stopped produc-

tion before they started losing money. Perhaps nowhere in Japan is suffering as extreme as at the city of Tsubame, where 3,000 tiny companies em-ploy 16,000 workers to make cutlery and houseware, almost 80 percent for export. Few of Tsubame's firms have the capital and know-how occded to make the kind of changes mentioned above.

But even here, there is hope for a few larger companies, a oumber of which are famous throughout Japan for some far-sighted strategy that has paid off. Kobayashi Kogyo, for example, has consciously redoced its exports and has

concentrated on developing Western-style cutlery for a market where few families own a full set of knives and forks. Kobayashi's designers went for the gift market, assuming correctly that even if Japanese will not buy knives and forks for themselves, they might be per-suaded to buy them for others.

And as the yen continues to climb against the dollar, the move overseas is picking up speed. The latest announce-ments of relocation of manufacturing facilities came from three companies moving part of their production to Wales. Their decision will take 500 jobs away from Japan to Britain.



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Bullish on Growth 🔳 Marunouchi's New Look

Property Boom And Speculation Buoy Economy

By Gregory Clark

OKYO — From deep pessimism, Japan has shifted to hullish optimism about the future of its economy. The manufactur-ing sector, which six months ago was supposed to be reeling from the blow to exports caused by the more expensive yen, now sees a hefty 40 percent increase in profits in the fiscal year ending March 1988, according to one authoritative study.

Government economists have followed suit. They have now raised the estimate for real GNP growth for this fiscal year to close to 4 percent. And this is allowing for export problems and the fall in the stock market. And last week, the Economic

Planning Agency announced that the economy had grown at a rohust 2 percent for the three months ended in September from the previous quarter, the highest increase in three and a half years and equal to an annual rate of 8.4 percent.

Why the turnaround? The conventional wisdom here says it is all due to vigorous cost-cutting efforts by embattled manufacturers. combined with the 6 trillion ven (S45 hillion) spending package unveiled by the government in the middle of this year. But the impartial observer is entitled to some skepticism. Abnormal rises in land and share prices are a much more important - even if much overlooked - factor.

Cost-cutting may raise profits, but it does not necessarily increase sales. Indeed, with the slowdown in exports and the sharp rise in manufactured imports, mainly from other Asian countries, manufactured sales are seen as rising only 2 percent this fiscal year. As for government spending packages, at this stage they can only have a psychological effect, Much more time is needed before the money can be spent, let alone create ripple effects,

What is really driving the economy is something very different the wave of speculative fever that began to sweep over these islands some two years ago and which has

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yet to run its course fully. At its peak, it had pushed up the Tokyo stock market hy more than 50 percent from its earlier highly inflated level. In many areas of the major cities the land boom has pushed up prices by several hundred per-

The result of this has been to push up the total value of land and shares in Japan by a staggering 400 trillion yen. This is equal to \$3 trillion, more than the entire annu-al GNP of Japan. By any reckoning, it is a lot more than a largely unspent 6 trillion yen the government talks about so eagerly.

True, it is a 400 trillion year increase in paper wealth, not real wealth. But that does not mean it is without real effects on the econ-omy. Clearly, it has done much to remove the pessimism caused hy the 100 percent appreciation of

the yen against the dollar in the past few years. More important are the strong effects it is having on spending. While share ownership is not widely dispersed in Ja-pan, land ownership is. Most Japanese own the land on which their houses stand. And if any of those houses happen to be in a major city, then most of those Japanese have become dollar millionaires

overnight. Already, we see the results in the strong upsurge in demand for luxuries, and the upgrading replacement of consumer durables. Some of this extra demand is slipping over into foreign products --instant millionaires trading in their three-year-old Toyotas for brand new Mercedes-Benz. But enough remains in Japan to make

Japanese manufacturers happy, 100. On top of this is the construction boom caused by high land prices. Now that his land is worth several hundreds of millions of yen, the average Japanese is much keener to pull down whatever was there before and huild something better on it, especially since the banks are now willing to lend him much more than before. Demand for building materials has risen so strongly that even the heavily slumped steel and chemical indus-

speculation — a capital gains tax on shares and a sensible level of tax on land-holding — the booms could be hard to kill. Most predict tries are experiencing a mini-boom and prices of some products have more than doubled. a fallback in land prices of only

ever-rising company profits.



Growing demand for luxuries: Tokyo shoppers pause at Gucci.

Cost-cutting may raise profits, but it does not necessarily increase sales.

How long will the boom last? around 20 percent to 30 percent, with a rebound in a few more Psychologists rather than economists can give the answer. The

The government says it will start refusing permission to people Japanese now have an almost mystical belief in the never-ending who want to huy land at inflated strength of their economy. If anything, the recently exposed weakprices. It says, too, it will cut sales nesses of the U.S. and West Euroof public land to reduce the fever pean economies have made them that surrounds such sales. Neither even more bullish about the fustep seems likely to change the ture. Most of them genuinely beland situation greatly.

lieve there is nothing absurd about average stock market price/earn-ing ratios in the seventies and In the meantime, the indicators remain firm for almost every sector of the economy. The nonmanufacturing sector, which expects a eighties. They see these prices as being justified in a few years hy fall in profits of around 15 percent in the six months to September -The land boom has been harder a delayed response to the yen apto rationalize. Rates of return on preciation shock -hopes to come office blocks fall to between 1 and back by 3.5 percent in the latter 2 percent when the cost of land is half of the fiscal year. In the same included. And only speculative period, manufacturers helieve madness can explain why anyone they can further accelerate profit

would want to pay several million nises. Of course, if the U.S. stock mardollars for a mediocre house in a ket has further setbacks and Ja-pan's 400 trillion yen hubble coldistant, middle-class suburh of Tokyo. The plight of house-seeklapses, all this goes firmly into ers has forced a government prom-ise to try to curh land prices. reverse. Japan's export economy is clearly suffering: with 40 percent of its exports going to the United States, the weakness of the dollar On the other hand, given the surplus of funds slopping around in the Japanese economy and the unwillingness of the government hurts Japan much more than, say, to take proper measures to end West Germany, which does much more husiness with its non-U.S. trade partners. A hlow to the domestic economy would be a double punch; worse, the blow would come just as much of the construc-

tion now under way comes onto the market.

Given the high level of borrowing for huilding in Japan, widespread bankruptcy would result. Nor could the government do much. The Japanese now like to criticize the United States for its fiscal deficits, but past Japanese deficit spending has given Japan a deht burden even larger than that of the United States. The government believes it has little choice hut to keep to its pledge to restrain public spending, with the one exception of its 6 trillion yen package. And even that package would be in doubt, since much of it is to be financed by the large revenue gains the government expects from the land and share booms. Nor would Japan's problems

end there. A speculative collapse in Japan would almost certainly have repercussions on share markets around the world, enough to guarantee a world recession. This, in turn, would do further harm to Japanese exports. It would also slow down the flow of Japanese funds abroad, putting further upward pressure on the yen. Japan's optimistic dreams of the future would remain just that.

GREGORY CLARK is professor of international business at Tokyo's Sophia University.

Banks Need to Lose Fat As Easy-Profit Era Ends

Special to the IHT

OKYO — Under Japan's old system of controlled capital markets, the bigger you were, the better you were. No longer is that true. Competition brought on by financial deregulation and external pressure on Japanese banks, to bring them into line with international measures of banking security, are forcing them to shed their obsession with size and look to quality and sophistication.

U.S. and European demands for stricter capital adequacy rules, coupled with the recent stock market collapse, are also forcing the men from from Marunouchi, Tokyo's main banking district, to look closely at how they value themselves and how others value

The Japanese banks may well adapt to the new financial regime as rapidly as they took over the top

positions of the world's biggest banks. There was no mystery behind this burst of Japanese banking power. The nigid compartmentalization of the system into city banks, long-term banks, trust banks, regional banks, mutual savings and loans banks and a myriad small local credit agencies was firmly established on a base of controlled interest rates that allowed each institution to accept deposits and lend them out again at a guaranteed profit. There was no competition to disturb the main

activity of building up a huge deposit base. Several years of record trade surpluses fattened the balance sheets further.

The gradual deregulation of interest rates has, very simply, shaved away that large profit margin on straight lending. To make a quick adjustment, how-ever, banks will have to be fast on their feet to provide new and competitive services to clients at reduced profit margins. Some may feel the pain. Some may not survive.

Indexes of Japanese banking profitability tell a sorry tale over recent years. The return on assets of all banks, the ratio of their net income to total assets, has fallen from about .75 percent to a mere .25 percent since 1970. Over the same period, banks' return on equity, the ratio of net income to stockholders' equity, has slid inexorably from near 20 percent to around 10 percent.

Scrutinization of Japanese banks' capital adequacy ratios has provided them with another headache. Debate continues over how the huge stock holdings of the banks should be valued and whether they should be coonted toward the banks' financial backing. Some people, most of them Japanese bankers, say these so-called hidden assets are a prime source of strength. Others, the Bank for International Settlements among them, say such assets are far too sus-cepuble to stock market turbulence to be counted in rudential ratios.

The October market crash could not have come at worse time for proponents of the first argument. The Tokyo market fell 17 percent, shaking the longheld conviction that Tokyo was immune to the volaulity of world markets. Many stock analysts believe it is a bear market waiting to begin. Zauech, or the financial speculation in Japan over

the past few years, also hurks like an evil spirit over the banks. Bank lending has been a major part of funding for zaitech operations, which have helped push stock and land prices higher and higher. The

Bank of Japan has consistently warned against an tech but has seemed unable to stop it. The fear north that zaitech and the banks' assessment of their finan-cial stability based on the value of their hidden and could combine to produce one great financial dim.117

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What would happen if Japanese stock prices and hled further, undermining the value of banks' hide assets, which they had calculated toward their called base and on the security of which they had load money to fuel the zaitech craze? The result could be dramatic.

That, however, has not yet happened and moves are afoot to head off such a collapse. The Ministry of Finance already requires banks with international activities to achieve a capital adequacy ratio of 6 percent by 1988. But it allows them to count of percent of the unrealized capital gains on their his den assets toward this. The Bank for International Settlements would like to see that reduced to he than 50 percent.

To bolster their capital, big banks have been intiing new equity. But weak stock markets may the der further equity issues. Smaller banks in party ular may find investors reluctant to take on the equity.

APITAL adequacy aside, the big banks day say that they are not nearly as exposed to bad loans as, for example, their America cousins. Bank of Tokyo has the higher exposure to Third World debt, amounting to about 160 percent of equity. Long-term Credit Bank is not with close to 90 percent. The rest are well below the As for exposure to bad domestic debt, Industria Bank of Japan is highest, at 65 percent, and the nat are significantly lower.

Japanese banking is, nevertheless, still at the erder roads. It must decide whether to take the road to's completely free capital market or continue to sheller behind the walls of government regulation and estim-lished vested interest. Top bankers realize that the second choice is already closed to them.

Unfortunately, to move smoothly down the roll to a free market, the banks will eventually have to divest themselves of the stock holdings that locked banking and industry into that maze of mutually supportive cross holdings that has been dubbed lapan Inc. Whether the banks can do this in a rising market, or whether they will be forced to do it market. falling market, will be critical.

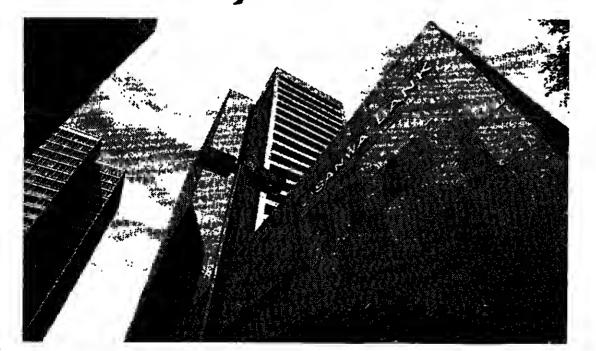
Meanwhile, in the search for better profit margins, old banks may take on new roles. The 13 city banks are perhaps best positioned to open up the potential ly huge individual savers and borrowers marketing Japan, a market that was virtually ignored during the country's period of export-led growth. Consume credit and personal savings become much more inportant as Japan moves toward domestic-led expense

And there are the nation's 64 regional banks. The regionals are blessed with a firm local funding and ading base, and do not suffer from the kind of international exposure problems that the majors have. They are also very big. Japanese regional banks hold almost every one of the 50 positions from 51 g == . 100 in the league of the biggest world banks. The _____ regionals are rapidly moving overseas. 1.5



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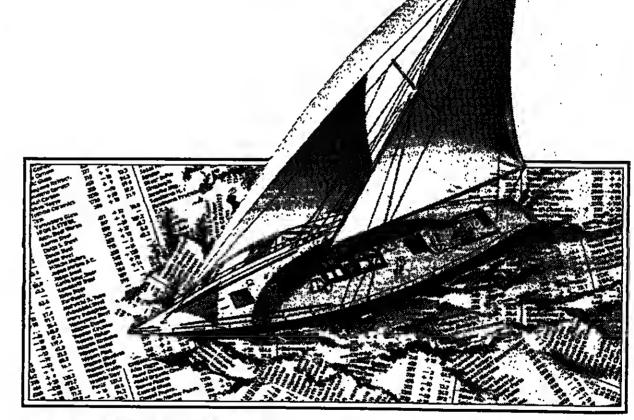
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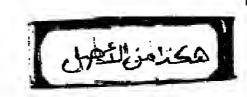
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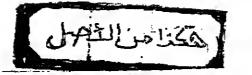
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The Housing Market

e Fat Ends Tokyo's Spiraling Property Prices Risk Creating a Two-Class Society and sharks, "specialize in assembling mail land sharks," specialize in assembling of the start of the start

generation' mortgages in which the eldest son or another heir is expected to assume payments after the owner retires.

1

By Darrys By Darrys Decky Japanese out of aboun 3,200 ticket holders will win a kottery run by the Tokyo Metropolitan Housing Supply Corp. However, most of the winners will be running off to their bankers not to rake a handsome deposit, but to a 'ans big enough to allow them "ter prize — a new six-r "I garden. "sets will." move into their prize — a new six-room house with a small garden. ...And although the houses will cost the

winners an average of \$485,000 each. every one of those winners is most likely to judge himself lucky indeed to win the right to buy, because skyrocketing land prices in Japan, and the Tokyo area in particular, have put home ownership beyond the bopes of many Japain the design

Real estate agents say the prizes, located about 90 minutes from the office' for central-city workers, would be worth at least \$735,000 on the open market, and the housing corporation has indicated that it has no plans to build new single-family developments in the foreseeable future.

. Thus, one particular home attracted more than 500 offers from frustrated house hunlers.

· For the more than 3,000 who fail to get their cream nome a her winners get their dream home in the lottery. windfall are bleak.

In the fashionable Denenchofu district about 40 minutes from central Tokyo, homes as small as 100 square meters (1,076 square feet) on about 70 square meters of land are priced at more than \$2 million.

* * ***** . In less fashionable districts up to two hours from a central office, \$300,000 will barely buy a condominium apart-1.122 ment, and many Japanese in the Tokyo region are beginning to give up dreams of ever owning their own home. ···- _ 22

In the year to July 1, residential land prices in the Tokyo area soared 93 percent, according to the National Land Agency, and prime commercial land in the central business district now costs

up to more than \$40,000 for a single square meter.

The payback period on a newly purchased office building can approach 150 years, some real estate sources say.

In central Tokyo, however, land prices are said to be stabilizing, albeit at ridiculously high levels. But now, outly-ing areas like Yokohama and Saitama, Chiha and Kanagawa prefectures, are experiencing increases of more than 60 percent in the past six months,

Government at all levels is finally beginning to take the price rises seri-ously and are forming committees and issuing "guidance" memos to bankers and loan companies, advising them to stop making speculative land loans.

But few real solutions have emerged. from the turmoil, and although the new government of Prime Minister Noboru Takeshita has said that solving the real estate crisis is its top priority, few be-lieve there will be any real changes SOOIL.

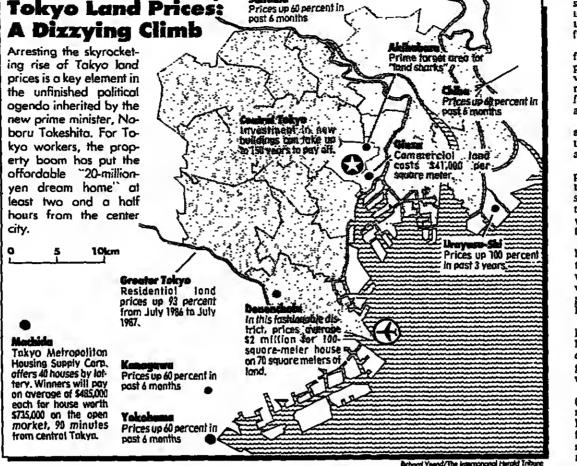
Beyond the simple price problem are the prospective social changes likely to occur from the creation of an entire new class of landless Japanese within what is often touted as one of the world's most homogeneous societies.

Already, some aspects of those changes are becoming clear, bowever. Society is quickly turning into groups with land and those without.

The landowners, supported by soft bank loans gained using real estate as collateral, are becoming richer and richer as they plow loaned money into stock markets, long-term savings certificates, which pay far more interest for large depositors than for small depositors, and into foreign land.

Realtors in Hawaii, Australia, the U.S. West Coast and in Canada are finding Japanese with suitcases full of cash ready to buy almost anything and ready to drive local housing prices up to the point where ordinary citizens in other countries are no longer able to participate in the market.

In Australia, the government has already taken measures to prevent nonimmigrants from buying prime residen-



tial land - many say because of the Japanese who were arriving on vacation and snapping up condomining and homes priced far below the levels back bome.

But for the Japanese homeowners who have not paid off a housing loan, taxes, rising in tandem with land prices, are squeezing their already loan-heavy income to the point that many are working simply to meet payments.

another,

is emerging.

hutches."

For the landless, a new phenomenon

Instead of saving for the purchase of

are moving toward an outwardly alflu-

crippling than borrowing to buy.

"Io only three years, the value of my home has more than doubled, but the taxes are cutting into my income more heavily and even if I sold, I would have oo place to go in Tokyo. Prices in other locations have risen just as much so I haven't really got ahead at all. In fact, it's now tougher to keep my head above water," said one owner of a yet-to-bepaid-for condo, an hour from his office. For the desperate, banks are oow

offering "two generation" mortgages in which the eldest son or another heir is expected to assume payments after the wher retires But with Japanese families becoming

ever more nuclear, the ability to gnarantee that one's heirs will want, or be

meters will easily run beyond \$5,000 a able to continue, payments from the day they start working is waning. And no ooe has looked at the family month. With the average salary of a compaimplications of a situation where land.

ny employee in the \$37,000 range by worth perhaps hillions of yen, is transmiddle age, only a dramatic change in land prices is going to help to increase the chances of having a small house to ferred to one soo or daughter and not to call one's own - or even a decent Traditionally, the eldest son in a Japanese family inherits the home and takes care of his parents, but now that apartment to reaL

And even simply giving up hope, huying a "baby Benz" with the money one would have spent on a down payhis siblings have little chance of being able to set up their own bouseholds independently, family tensions could become increasingly strained. ment for a bouse or condo and going to Hawaii oo vacation, does not necessarily get the renter out of the land-price

Japanese law gives renters full right of tenancy, but with land prices skya house, many have given up hope and rocketing, many landowners see selling off property to big developers as the way to move from middle-middle class ent lifestyle, including imported cars and overseas vacations, while living in rented two- and three-room "rabhit to rich, and they can try to sell their property out from under their tenants. But for many, rents are hardly less But tenants, faced only with higher rents farther from their offices, refuse A 50-square-meter apartment, far reto leave and then the jiageya step in to make life miserable - and dangerous moved from the central city, can rent for well above \$1,000 a month, and a in some cases. centrally located unit of 100 square

Jiageya, often loosely translated as

fuse to sell for redevelopment. Tactics to force people out range from midnight telephone calls, all-night parties in reated premises nearby and verbal abuse, to chopping holes in roofs, driving dump trucks through fences and walls, arson and physical attacks.

The law is on the side of the tenants and small landowners, but in practice, the harrassment often overpowers the authorities and people decide to move. This only compounds the land-price problems because the payments to the tenants to move or to the landowners to sell are often substantial and Japanese tax law severely punishes individuals who do not quickly reinvest their windfalls in land.

So, in the outlying areas, where a home used to cost about eight to 10 times the average salary of the average worker, displaced central city dwellers with wads of cash become willing to pay exorbitant prices for overvalued land simply to avoid the taxman.

The resulting inflation of marginal land prices means that the "salaryman" lucky enough to get a loan and brave enough to shoulder a long-term mortgage has to move even farther from

work to buy his piece of Japan. Already, the "20 million yen home (\$148,000) one hour from work" of most dreams is at least two and a half hours from central Tokyo and getting farther away everyday. And the government solutions so far proposed to solve the problem offer little hope to the present generation looking for a house. One plan is to freeze prices in the Tokyo region, but a freeze oo prices that are already well beyond the ability

of most to pay is hardly a solution. Another program calls for holding government-owned, but underutilized, land from the public market to dampen speculation, but the logic of creating disinflation from lowering supply in a demand spiral is somewhat "confused,"

critics say. Raising taxes on underused urban "farmland" could increase supply as could increasing "land-holding" taxes, but for the owner now saddled with huge mortgages, higher taxes could simply force the tess affluent into the landless category, others argue.

Moreover, drastic moves to drive prices down to reasonable levels carry the fear of creating a disinflation so crippling that corporate and personal bankruptcies will proliferate because of the heavy borrowing done on current land boldings.

Seisuke Okuno, director-general of the National Land Agency, says the solutioo must be to create a "multipolar" country where the current concentration of economic and human re-

resucrats who roundly applaud the idea of moving some departments and ministries to other cides and regions fight tenaciously to make sure their own department or ministry is not among the ones moved into the inaka, or country-

One proposal from Mr. Okuno's agency calls for "capital splitting," in which Sendai to the north would become a "second capital"; Nagoya to the southwest would become the "industrial" center, and Osaka-Kyoto, even farther west, would become the "cultural" center.

Within moments of the plan's release, however, Sendai let it be known it was unenthusiastic about becoming a second capital, and Nagoya and Osaka-Kyoto rejected the plan because they do not want to be limited to any particular kinds of development.

And with the prime minister's official residence being rebuilt in Tokyo. the likelihood of any serious movement of any government offices or departments away from the seat of power remains a dream, critics say.

Mr. Okuno, in a recent interview, said the agency's decentralization plan is still alive, but the hard political decisions required to transform the Tokyo area, with its population of 28 million, into a much smaller capital region seem unlikely to be taken under the untried Takeshita administration.

The new prime minister prides himself on his ability to seek compromise and obtain consensus, hardly the sort of leadership style required to step on vested interest aod force through sweeping changes in the way wealth is currently formed in Japan: owning land, preferably in Tokyo, and then building from that base to buy more land, to buy out industries and establisb companies on bank loans made on the strength of even-rising land prices. And so, the lucky 40 who will be moving into their \$485,000 homes in

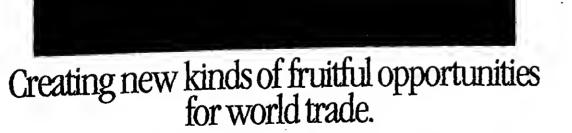
Hometown Mchida-Kanamori" over the New Year bolidays really do look to be lottery winners - even in the traditional sense, because unless the landprice spiral suddenly and inexplicably loses momentum, their bouses and land are likely to be worth twice as much in a

very few years. Then they will be able to sell to someooe else, move to Hawaii and retire in luxury.

And without an end to the price spiral, that scenario may just replace the "20-millioo-yen-home-an-bourfrom-work" dream of ordinary Japanese in a short time.

DARRYL CIBSON reports for The Canadian Press from Tokyo.

VII



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Stock Market

Crash Bares Vulnerability of Tokyo Exchange

By Takeshi Sato

OKYO — Japan's stock market is expected to develop a cautious up-turn in the coming weeks, as the feeling grows among investors that gyrations in world stock exchanges since Black Monday represented an overdue adjustment to correct their exceedingly high levels built up in the nast year or so the past year or so.

At the same time, the Monday, Oct. 19, crash on the New York Stock Exchange showed that the Tokyo Stock Exchange cannot escape the chain reactions ripping through world financial markets, however strong the

Japanese economy may appear. The agreement to reduce the budget reached by the Reagan administration and Congress gave some support to the Japanese market, but turnover remained limited to a level about onethird of the average trading volume earlier this

Many investors, both individual and institutional, remained on the sidelines, awaiting further developments in the U.S.-Soviet talks on the Intermediate Nuclear Forces treaty. They also wanted to see what would be the approach of international monetary authorities, especially concerning cooperation among the Group of Seven leading industrial nations. Market sources say that both major institu-

tional investors, such as life insurers, and investment trusts have a large cash position, representing nearly 40 percent of their assets as a result of previous selling. But these investors are said to be showing extreme caution in using their liquidity, because many of them suffered significant losses in their portfolio boldings. "So far, it is all right, because the present

price level is still somewhat higher than at the beginning of this year." a fund manager of an institutional investor said. "However, we canoot run a big oew risk by investing our money at this stage.

A spokesman for Daiwa Securities said the

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cash would be invested in stocks when the principal factors in the market — such as the months later. The outstanding balance of buyyen-dollar exchange rate, ways of implementthe U.S. budget reduction pact and the U.S.-Soviet arms talks - had been clarified. "It would be difficult to increase investment

in U.S. government bonds or Japanese govern-

ing on margin trading amounted to around 6 trillion yen in late November.

Taro Kaneko president of Marusan Securities Co. Ltd., a medium-sized securities house, said U.S. institutional investors and individual

A quick recovery to the August level of the Nikkei index is unlikely because the market has learned a lesson from Black Monday.

ment bonds or the interbank market substantially," be said

But he added that a quick recovery to the August level of the Nikkei stock average was unlikely, because the market had learned a lesson from Black Monday that was totally unexpected for most Japanese investors.

On Oct. 20, there was a rush of sell orders on the Tokyo Stock Exchange, including an esti-mated 1 trillioo yen (\$7.14 billion) sold by foreign investors. Most of the orders could not be executed, as there were few buyers, but the prices were carried forward to the following day, when individual investors started largescale bargain-bunting.

The reasoning among Japanese investors was that since the national economy appeared to be heading for a substantial recovery through the government's efforts to expand home demand. Japanese stock prices must re-cover, as they had after previous setbacks. Some individual investors are believed to

have bought heavily on margin trading there-

iovestors who had shifted their investment from stocks and mutual funds to Treasury bonds and the money market would return to the stock market, to push the Dow Jones industrial average up to around 2,200.

Japanese stock prices, he said, would recover in two stages, the first by early in the new year and the second by March. The market peaked this summer at more than 26,000 on the 225-

He said, however, that "foreign investors, who some people fear might sell Japanese stocks again if the yen started to rise further, will eventually return to Tokyo, if only to correct their oversold position. But it will take some time, so that the U.S. government's fiscal deficit-cutting policy will be important for the Tokyo stock market."

Japanese institutional investors, who have had heavy losses from their previous investment in U.S. Treasury bonds, are likely to restrain investment in this area, and the flow of dollars from Japan to the United States will shift to exchange-market intervention by the Bank of Japan, which will invest dollars bought through intervention in U.S. Treasury bonds, he said.

Banking sources said foreign investors would not be able to stay out of Tokyo for long, because Tokyo now accounts for around one-third of stock trading the world over. As of mid-April, Tokyo overtook New York in total market value, reaching nearly \$7.8 trillion. The decline in the Nikkei stock average as a result of the big crash was about 17 percent, com-pared with 23 percent in New York.

The Tokyo Stock Exchange and leading Japanese securities houses plan to expand their computerization oetworks both for accelerated documentation and closer contact between securioes houses and their clients using personal computers. Both the stock exchange and the Federation of Bankers' Associations in Japan have plans to expand or introduce financial futures trading in cooperation with some futures markets overseas.

APANESE investors are also closely watching the monetary policy of the Bank of Japan in regard to the prelimi-

 nary orgonizations for a new G-7 meeting. They point to the possibility that the United States might want Japan to lower short-term interest rates in exchange for cutting the U.S. budget deficit.

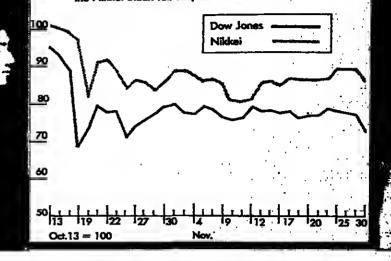
The Bank of Japan changed its stance fol-lowing Black Monday to gnide interest rates lower but has said repeatedly that this was an emergency measure, stressing that the money supply continues at more than 11 percent above a year ago and might rise further through foreign exchange market intervention and the recent decision to allow placing of domestic commercial paper.

TAKESHI SATO is a free-lance journalist and a former financial reporter for the Tokyo bureau of Reuters.



Chain Reaction

When the Dow Jones Industrial Average plummeted, the Nikkei index fell too, but never as for.



Investments

Market Movements Linked to Power **Of Investment Yen**

Special to the IHT

OKYO — The London stock market moved toward its record high this summer simply because Japanese investors were expected to start pouring money into the market following Prime Minister Margaret Thatcher's convincing election victory. They did not, and the market fell back.

The episode was a perfect example of the overwheiming importance that Japanese investors have in world markets today. Where they hold their money and where they intend to hold it have become the two questions that other market investors and analysts ask themselves first before predicting a market's performance.

Moreover, despite the apparent speculative and highly manipulat : ... ed home markets, the Japanese :: investor abroad is the height of conservatism and prudence. Stable, long-term yields are his crite-

tory to the average Japanese inves-

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ria of a solid investment. It does not take much, therefore, to see how U.S. government paper became the focus of Japanese overseas investment.

U.S. stocks were the next family iar objective. To many Japanese, portfolio diversification still means switching from U.S. bonds to U.S. stocks.

Without these factors, it is difficult to understand just how Ja-

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It has become an accepted fact that Japanese money is the single biggest investment money pool in the world. Such is the influence it wields that, as in London's case, the position that Japanese investors take over any market can be-come a self-fulfilling prophecy. The cry in the dealing room that the Japanese are there can quickly add several points to a bond or

equity market. In fact, the power of the investment yen has become so great that markets are in danger of becoming bypootized by it. They would do well to look more closely at the history of Japanese investment planning and consider whether future strategy will be the same. It may oot. The estimated \$11 trillion to

\$12 trillion held as financial assets by Japanese financial institutions, corporations and individuals is certainly a buge amount. But there is a significant reason why, until now, that money has had more influence in the world than it has merited: Japanese investors have followed a crowd mentality, and where one invests, all invest. The classic example has been

the U.S. Treasury market. Uotil the latest Treasury quarterly refunding at the beginning of Noember, Japanese investors were by far the biggest buyers of U.S. government debt, purchasing reg-ularly as much as 50 percent of any offering. The standard view that the Japanese trade surplus fed the U.S. budget deficit was in this respect true.

The Japanese government is enthusiastic that Japanese wealth should be recycled overseas in the interests of world ecocomic equilibrium. Finance Ministry guidance has so far ensured that this recycling has occurred reasonably smoothly. A worrying drop in Jap-anese capital outflows ocar the be-ginning of this year drew serious official concern at bome. Outflows have, by the way, started to de-cline again, following the latest round of currency instability, which makes any investment risky until rates stabilize to some extent. Such crowd-like behavior, coupled with apparent obeisance to Finance Ministry dictates, has led many foreign observers to underestimate the independence of the Japanese investor

Japanese investment abroad is a new phenomenon. Outside their own domestic markets, the Japa-nese, have grown familiar with only one market: the United States and dollar investments. Japaoese fund managers will readily admit that even a market such as London is unknown terri-

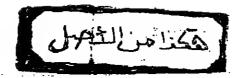
pan's major institutions could have accepted three severe reverses in their U.S. investments over mque and the past two years. The Japanes have lost billions of dollars - first when the dollar declined from September 1985 on, then when it fell again after a false period of stabilization, and most recently when Wall Street collapsed and the dollar declined further.

UT the Japanese are no longer willing to take such abuse. Figures pub-lished by the Japan Securities Dealer Association show that Japanese investment abroad is growing and diversifying rapid-ly. Nomura Securities, the world's biggest investment firm and the flagship of Japanese investment, is making markets in Canadian and. more importantly, in British stocks. To the dollar-bound Japa-nese investment community this is a significant move. The big Japa nese securities houses are also starting to make markets in alternative currency bonds, especially British gilts, and they are eager to get at the West German bond mar-

All the main Japanese Imancial institutions are reducing their dollar portfolios as a proportion of their total investments. Fund managers say they are restricted largely by two things - first, by a lack of experienced staff in other markets, and second, by the endemic conservatism of board members who trust no market but the Japanese market and otherwise see no link with the outside world, save the one across the Pacific. They are dying out.

The Japanese bave become unusually aggressive about dollar investments since the Wall Street disaster, and they demand that Washingtoo tackle its deficit-Some portfolio managers threaten to buy no more dollar assets until it does so. That would be danger ous, because although the United States is capable of funding its own deficit, as the success of the November refunding showed, any major Japanese investor rebellion against the United States would cut the world's biggest creditor off from the world's biggest debtor. There is also a strong tendency

for the Japanese to retreat into their own markets when overseast investments turn rough. They are by no means the only ones to do this, as the foreign rush out of Japanese equities over the last few weeks has shown. However, the essential need to recycle Japan⁵ trade surplus funds makes such a prospect unacceptable.



Technology 🔳 Software

High-Tech Priorities Shift to Basic Research

By Roy Garner

Tonegawa, 48, recently became the first Japanese to win the Nobel Prize for medicine, national self-congram-bation might have seemed in order. However, the circumstances of the professor's achieve-ment have prompted new soul-searching among those planning Japan's strategies for high-tech development.

The snag lay in Professor Tonegawa's force-ful reminders that all of his pioneering re-search, which revealed how the body constant-Asearch, which revealed now the body constant-by changes its genes to produce antibodies, was indertaken outside Japan, at the Basel Insti-tute for Immunology in Switzerland and at the Massachusetts Institute of Technology, which Massachuseus insitute of lechnology, which now serves as his base. Furthermore, he plainly asserted that he would have been unable to carry out this research if he had not long ago moved out of Japan, where the research environment is, in his words, stifled by concerns over seniority and consensus.

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The "Tonegawa shock" has served as a pain-ful reminder to the Japanese that while the nation has prospered up to now largely through the recycling and re-application of imported technologies, the top phonity in fu-ture must be the provision of the conditions ecessary to nurture basic research excellence.

The Japanese have found some encouragement in recent technology trade statistics, which suggest that the nation may soon be-come a net technology exporter, but the real picture here is not so promising. Statistics compaled by the Management and Coordina-tion Agency show that technology exports reached 234.2 billion yen in fiscal 1985 (ended March 1986), a fourfold increase since 1975. Imports were only slightly higher at 293.2 billion yen.

However, there is a major difference be-tween the quality of the technology exported and that imported. Much of Japan's technology exports are of low-technology goods, such as plant equipment, to the newly industrialized countries, while imports are predominantly from the United States and center on computer vement software and sophisticated electronics.

soltware and sophisticated electronics. Seeking an improved emphasis on research, the government has introduced a wide range of generous tax incentives, including a stipulation that small and medium-sized firms can deduct up to 6 percent of their research and development spending from their taxes. Japan has also budgeted a total of 158.9

billion yen in 1987 toward eight major government-funded research and development programs, which include the fifth-generation computer, energy conservation technology and uranium enrichment projects. Within the universities, where more than 60

percent of basic research is carried out, according to government statistics, the Ministry of Education's University Council is considering increases in the number of its research grants, improved hiring systems whereby research as-sistants may choose between temporary or life-nese realize that fundamental structural

The 'Tonegawa shock has served as a painful reminder to the Japanese.

time employment, and revisions in the univer-sity entrance examinations to place the stress on creative, rather than rote-learning, skills.

But the Japanese government's growing commitment to basic research is perhaps best shown in its Exploratory Research for Ad-vanced Technology (ERATO) and Japan Key Technology Center (Japan Key-Tech) pro-grams. The ERATO program, administered by the governmental Research Development Corporation of Japan (JRDC), consists of nine small projects designed to promote fundamen-tal research into the basic nature of life and the

evolution of organic matter. Unlike most previous Japanese research efforts, there is little pressure for the research to lead to commercial applications. The research team leaders, all top specialists in their fields, retain complete control of their programs. Each ERATO project team consists of 20 to 30 members, none over 35 years of age, lent by their parent companies for the duration of the. project. Areas already under study include the nature of the component parts of fine poly-mers; micro-organisms with special genetic properties ("super bugs") and the chemical value of solid surfaces. The "perfect crystal" project, examining

crystalline structures, has already achieved im-portant results, including the test fabrication of a 32-bit linear photo sensor that claims to offer improvements over conventional charged-couple devices (CCDs).

Similarly ambitious is the government's Ja-pan Key-Tech program, intended to encourage new joint-venture research projects. Started in 1985, Key-Tech is funded by dividends from the government-held stock of Nippon Tele-phone and Telegraph (NTT) and the Japan tobacco industry. As these are now "private companies" - they are both in transition stages in the move from public to private --- the direct government funding amounts to only 25 percent of the total under the policy of encouraging corporate sponsorship of important re-

search and development efforts. Research projects under way include those centered on automatic telephone translation systems and advanced optical fiber data transission.



Susumu Tonegawa.

changes must somehow be introduced. At present, total research spending in Japan equals 2.77 percent of gross national product (slightly more than in the United States), but only 13 percent of this sum goes toward basic research (well below U.S. and West European levels) and an improvement in this ratio is now sought

Another candidate for change is Japan's Science and Technology Agency, which plays a key role in formulating science policy. The agency director has been changed 45 times in 31 years, mirroring political developments, and a more stable administrative structure is now being called for.

But despite its anxieties over the promotion of basic research, Japan has much on its side. The nation's industries have almost universally accepted the notion that high technology is their future lifeline, big business is showing an increased readiness to fund long-term research work and a growing internationalization of research projects has provided valuable insights into how Western countries organize

their basic research efforts. In addition, Japan is dominant in certain critical technologies, notably semiconductors, fiber optics and robolics and is well placed as regards the great technology race of the moment, superconductors.

Japanese firms are already outlining some of their planned applications of superconductor their planned applications of superconductor technology, which include such items as a "lin-ear catapult," which will accelerate a rocket along a 3-kilometer (1,86-mile) borizontal track before it blasts upward into space, and a high-speed nonpropeller oceangoing vessel that is driven solely by superconductive elec-tromagnetic propulsion. The "Tonegawa shock" has presented Japan with a timely warming of its key area of techno-

with a timely warning of its key area of technological weakness. It only remains to be seen whether the nation can overcome this impasse with the same panache it displayed following the wartime ruin and the oil shocks of the past.

ROY GARNER is the Tokyo-based correspondent for Independent Radio News of London.

Guide to

Robert K. McCabe

Business Travel

Software Projects to Ease Shortfall

OKYO — In virtually every field of high-tech research, computer soft-ware nowadays plays a critical role. And the closer toward the basic end of research one moves, the more complex and abstract are the problem-solving requirements

involved -and, in turn, the greater is the need for innovative software tools. With this in mind, it is easy to understand

the level of concern aroused by recent estimates by the Ministry of International Trade and Industry (MITT) that Japan will suffer a shortfall of approximately 600,000 software specialists by 1990.

In response to what is increasingly perceived as a software crisis in the nation, Japan has embarked upon two radical software-related development projects. These are SIGMA (software industrialized generator and maintenance aides system) and TRON (the real-time operating system nucleus). SIGMA's aim is to improve the efficiency of

the actual process of software production, partly by the development of "software-writ-ing software," and TRON aims at the development of a home-grown microprocessor that would facilitate the introduction of a standardized form of computer architecture. Moreover, it will be designed to meet the specific require-ments of today's users, overcome many of the difficulties currently caused by incomparibility between different makes and models of personal computer and reduce the computer in-dustry's dependence on IBM architectures.

half-financed from government sources via the MITI-affiliated Information Technology Promotion Agency (IPA) and half-sponsored by more than 150 private firms. It is hoped the project will greatly simplify the business of software writing by standardizing the tasks involved, thus cutting out the duplications of effort among software specialists within different industries.

The project began in 1985, and by 1990 its backers hope to produce a library of core material that can readily be accessed through-out Japan using any UNIX-system-based computer. (Analysts believe the adoption of the AT&T-developed UNIX System V architecture heightens the project's status as a chal-lenge to IBM supremacy.) SIGMA is heavily focused on the actual

needs - and the installed software - of end users, and in this sense is more of a "catch-up" effort than an academic quest. Researchers are developing libraries of software "modules" that can be used as the building blocks for new application programs. In practice, users will work on high-capacity "work station" personal computers, connected to a network that will allow access to an extensive library of software tools.

A user in the "new materials" industry, for example, might pay a license fee for the use of an outside firm's program that monitors a certain material's response to temperature changes. This basic program might be further supplemented by standard design modules available in the common software banks.

Experimental SIGMA workshops are already being introduced by some of Japan's data-processing firms, and there is a consider-able degree of optimism in Japan that SIGMA



Salvaging parts at a computer graveyard.

will go some way at least toward reducing the hardships involved in software development.

Kiyoaki Tamura, development labs director of Japan's second largest software developer, Nippon Business Consultant (NBC), com-mented: "No one knows whether it will work out. It is quite a switch from IBM to UNIXoriented architecture, a great change. But Ja-pan's software houses are very confused over the different manufacturers' strategies concerning operating system interfaces, so they are interested by any means to get a common software interface environment."

Mr. Tamura's remarks have equal relevance as applied to the TRON project, which is also centrally concerned with equipment standard-ization. TRON is the brainchild of one Ken Sakamura, a 35-year-old computer architect and Tokyo University professor.

His vision of an industrywide standard for computing was first publicized in 1984. Already, more than 40 Japanese companies have opted to become involved in the TRON initiative, contributing at least 10 billion yen to the project. Mr. Sakamura's plan is to make a complete break with the past tendencies of Japanese computer makers merely to seek compatibility with U.S.-developed operating systems and microprocessor technologies.

Japanese corporate sponsors were prodded further toward accepting this daring departure from tradition when two U.S. firms, Intel and Motorola, announced that they were not going

DKB. Japan's largest bank.

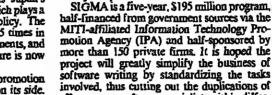
to license their latest 32-bit processors to their traditional second-source firms in Japan, Fojitsu and Hitachi. As a result, the two Japanese firms became committed to the development of a 32-bit TRON microprocessor, alongside oth-

er top electronics equipment producers. Each of the companies involved has agreed to accept responsibility for a different implementation of the chip. Fujitsu, for example, is working on applications in business work sta-tions and minicomputers; Hitachi is specializing in engineering work stations, and Mitsubi-shi Electric will handle applications in control equipment

A remarkable feature of the TRON architec-A remarkable realities of the rate of the rest of the this free availability of the new architectures ---and the careful tailoring of TRON to ensure that it is capable of handling the complex Japanese language — could finally pave the way for "popular" personal computing in Japan, where up to now the "keyboard barrier" has stifled the growth of a home-use market.

If Mr. Sakamura's vision is fulfilled, TRON will not only ease Japan's immediate software crisis bnt could also place Japan in the league of those who set international computing standards.

IX



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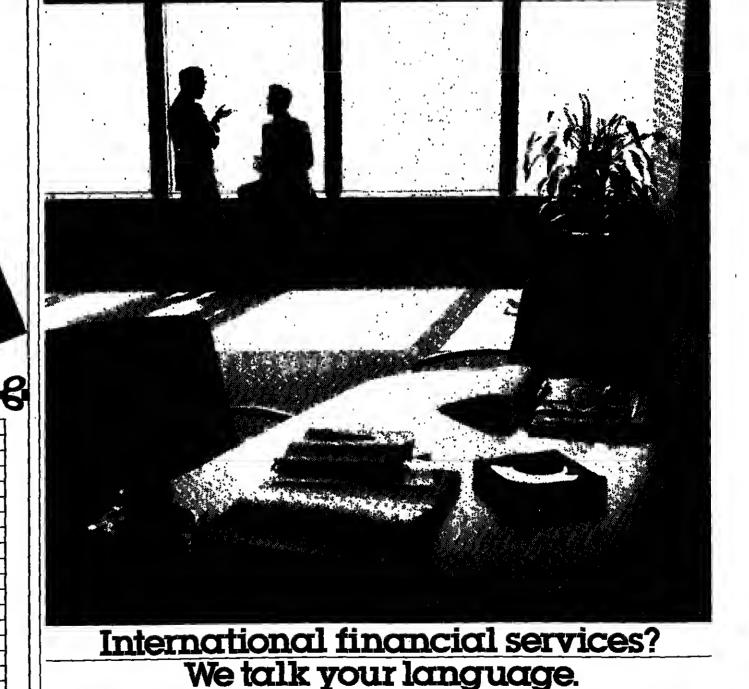
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Cashing In on Culture The Fitness Boom



The sum paid for van Gogh's "Sunflowers" set an all-time high.

As Dollar Falls, the Yen for Western Art Grows

By Donald Richie

OKYO - When the Yasuda Fire and Marine Insurance Co. paid S39.85 million for a van Gogh last March, at that time the largest amount ever paid for a painting, it became apparent that cultural consumption in Japan had reached a new high

Not that it had ever been low. Japan has long been consumed by culture, both its own and that of other countries. From the days of the particularly Western painting —has enjoyed a popular prestige rarer elsewhere.

This ready audience has, now that the dollar is down and the yen is up, created an enormous new market for Western art. Last year, Japanese dealers, curators and collectors imported \$400 million worth --- twice 1985's figure, and this year the total is expected to be half again as much.

A Tokyo art dealer explained that with so much ready money now in Japan, real estate, stocks and bonds are all saturated and the excess is pouring into the art market. And one of the big department-store galleries reported that real-estate brokers rich from high land prices come in and say they want a "good" painting for 20 million yen (about \$150,000) and that they want it right now.

What they want are the Impressionists. These share a style popular in Japan (after all, Impressionism was in part created by early French familiarity with Japanese art), and they have an unlimited value. As consumer items, they are ideal. Perhaps consequently, as a Gin-za gallery owner said, Japan must be the world's largest repository of second-rate Renoirs.

Indeed, buying as they do, with much enthu-siasm and, until recently, little expertise, Japanese collections are, it is said, laced with fakes. As another dealer put it, Corot painted 637 pictures, 985 of which are in Japanese collec-

paintings, there are endless opportunities to new them. This autumn, a department store. the Shinjuku Isetan, mounted two major for-eign shows: a Whistler exhibition, exclusively organized for Japan from European and Amer-ican holdings, and a Matisse show, mainly from a Nice museum collection. Both shows were heavily attended.

That a department store should hold major exhibitions (and they all do) is indicative of the

With so much ready cash, real estate, stocks and bonds are saturated. The excess is pouring into the art market.

most paid for a painting until van Gogh's "Irises" was sold nine months later to an unpopular level of art appreciation in Japan. With the backing of a newspaper and/or a TV identified bidder in Europe for \$53.9 million. network, the stores hold art shows in their The current plunge into art is not merely for investment. (Indeed, the art market palls when compared with Japanese investment in Ameriextended galleries. The store gets the clientele, the newspaper gets the cultural reputation and television gets the coverage. This year again, the shows (Leonardo da Vinci drawings, Moncan real estate.) There has been a proliferation of newly funded art museums all over the country. And drian paintings, the Vatican treasures, for ex-

ample) drew large crowds. In addition, Japan's many museums host shows from abroad. The finest was the "Space in European Art" exhibition organized last kn, recently bought a very expensive Picasso to go with its \$900,000 Henry Moore sculpture, and Nagoya recently paid \$1.545 million for a spring by the National Museum of Western Art, the Yomini Shimbun, the Nippon Televi-sion Network and the Council of Europe. It contained, amoog much else, the van Eyck "Annunciation" from Lugano; the Mantegna

it is commonly agreed that the "Mona Lisa" is ine "best" Western painting. When it was hrought to Japan after protracted French-Jap-anese negotiations in 1974, it was seen by tens "Dead Christ" from Milan's Pinacoteca; Titian's "Venus" from the Prado; Caravaggio's "Cupid" from the Pitti; and a Vermeer from Washington's National Gallery.

This same museum is currently offering an exhibition of caricatures, "From Hogarth to of millions of people. Similarly, the "Venus de Milo" is considered the "best" scalpture.

For those who cannot afford to buy Western aintings, there are endless opportunities to Museum in London; the Tokyo Teien is holding a 60-piece Bourdelle sculpture exhibition; the Kanagawa Modern Art Museum is showing an enormous Géricault collection; the Bridgestone is showing its Impressionists, in-cluding the Renoir that it recently bought from Wildenstein for S10 million, and the Yasuda company's Seiji Togo Museum is showing its van Gogh "Sunflowers."

The \$39.85 million for "Sunflowers" was the

all are huying. Tokushima, in backward Shiko-

It is the names that are bought, but not only because names are good investments. Names are seen to have high educational value. Thus,

Modigliani

When it came to Japan, it was seen by so many that it was locally nicknamed the "Venus de Mitayo," or the "Venus I've Already Seen."

In the same way, Beethoven's Ninth Symphony is judged the "best" piece of Western music and its performance has become a Japa nese ritual.

nese ritual. This attitude puts limits on what is presen-ed. Visiting foreign orchestras have their pao-grams dictated to them: no Elliot Carter, more Beethoven symphonics. Ballet is the same When the Harlem Dance Theater played Ja-pan, its sleek "Agon" was not allowed and is clunky "Scheherazade" was insisted upon be-canse it was a "classic" and hence presumably "best." "best."

"best." Thus, the same "masterpieces" are seen and heard over and over again. The semi-goven-mental radio/T/ network, NHK, has oune-ous FM radio programs but all seen built around the "100 Best Classics." Local goven-ment subsidies are withheld from ballet conpanies making provincial tours unless they do "Swan Lake," though "Giselle" has been known to work in a pinch. And the missions buy and show Renoir and van Gogh, locally thought the "best" of the moderns.

Still, taste is widening. The "Space in Einp pean Art" show was an eye-opener for many, the San Francisco Orchestra is being allowed to play Roy Harris's Third Symphony in Tokyo, and the cultural event of the fall is Japan's first big bite of the complete "Der Ring des Nibehungen." All the sets, costnines, singer and orchestra of West Berlin's Deutsche Operwere brought here for performance of three complete cycles of the four operas, and the tickets (\$1,000 a seat for the set) are sold out

Japan's culture-buying binge, the consump-tion of art on the highest economic level, continues.

DONALD RICHIE, who lives in Tokyo, writes widely on the Japanese cultural scene. His must recent book is "Different People: Pictures of Some Japanese."

Business Is Brisk at Fashionable Sports Clubs

By Christine Chapman

OKYO — The ladies in the sauna at the Golden Spa try to be discreet about their gossip, for the competi-

tion may be listening. The Golden Spa in Tokyo's handsome New Otani Hotel is the most exclusive health club in town, a private enclave where middle-aged company presidents predominate. There they gather to swim, play tennis, drink.

On a recent Saturday afternoon there were more members drinking in the club's clegant French restaurant than there were on the roof practicing golf strokes. Their wives and girlfriends stretching out in the sauna whispered softly to each other, for Golden Spa members represent big business and idle chatter about

company secrets adds to the stress they want to "Our members are famous people," said a

spokesman for the Golden Spa, who asked to remain anonymous. "They are presidents of companies, members of the Diet, bankers, doctors, owners of fashion houses and oewspapers. I can't name them or their business because this is a private club. We have 2,500 members, 1,000 of them are women. Most are in their 40s and 50s, some in the 60s. We don't accept new members and we don't have a waiting list. To beloog, someone must inherit membership."

Across town from the Golden Spa, sitting beside the Takadanobaba train station, is the Big Box, literally a huge box-shaped building that houses the Seihu Sports Plaza and dozens of boutiques and restaurants. Opened in 1974, the same year as the Golden Spa, the Big Box

wives and children swim and exercise in the extensive facilities.

The Big Box is less expensive and more democratic. The initial membership fee to use all the facilities at the Golden Spa is 2.3 million yen (\$18,520), excluding the deposit and monthly payments. The Big Box charges a oce-time fee of 50,000 yen, or about \$370, and 7,000 yen a mooth, or \$52. (Prices are figured at the rate of 135 yen to the dollar.) In the Big Box's alwaysic sized pool foreigners can icon Box's olympic-sized pool, foreigners can join Japanese in the swim, for use of the pool alone costs less than a full membership, 10,000 yen a year, or \$75.

A Big Box spokesman. Toshio Matsui, would not say how many members the sports

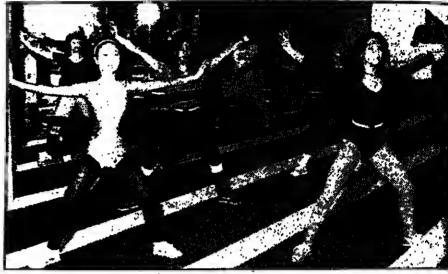
caters to a different clientele, the middle of the middle class whose junior businessmen, teach-ers, shopowners, clerks, retired people, house-ters, shopowners, clerks, retired people, house-bers, "We don't care about famous people here," he added. "Most members arrive by train or subway, not by car."

The suburban Seibn railroad line, which owns the Big Box, drops hundreds of customers off at its doorstep daily. The Golden Spa, set within the hotel's casis and owned jointly by the New Otani Hotel, the Takashimaya Department Stores, a medical clinic and a Japanese bank, requires a car or a cah to reach conveniently.

From the expensive extremes of the Golden Spa to the popular-priced Big Box, sports clubs are proliferating in Japan. It is not only the young who want to "do sports," but their parents and grandparents have also signed up for the fitness boom. They belong to the generations that have the extra money to spend on

Health and fitness as a fashionable, growing business is one direction Japan is taking as it turns toward a service economy. Elaborate private resorts, and others developed with publie funds, are heing built in underpopulated areas of Hokkaido in the north and Okinawa in the south to fure traveling Japanese away from foreign slopes and shores.

In its issue of Oct. 12, Business Week's international edition reported that Japan's leisure market will double from \$352 billion spent in 1985 to more than \$700 billion by the year 2000. In 1986, Japan's 621 sports and health clubs was double the oumber operating in 1984. By 1991, the clubs will double again to an estimated 1,200 and still maintain an exclusive image compared to the United States' reported 10,000. The sports club business, which began here in the 1970s and reached a popular peak five or six years ago, has become part of the norm of city life. To play a sport is in fashion; to relax from office pressures is considered a occessity, whether one is the boss or the employee; to belong to the right club is a status symbol. Even junior executives whose companies take out corrected memberships can claim a criticip out corporate memberships can claim a certain status, at cut rates, for doing sports at a club with the company card. Incorporating regular exercise into the workaday schedule is a "new urban lifestyle" for city dwellers, according to Mariko Fujiwara, Japan's foremost trend-watcher. Mrs. Fujiwara is a versatile professional woman whose business it is to recognize trends and help shape them. She is both the Englishlanguage editor of research and publications for the Hakubodo Institute of Life and Living and the editor in chief of MediaInfo, a Japauese magazine she began for and about the



A jazz dance class at a Tokyo health spa.

media. She is also a lifetime member of the Sigma Sports Club, the Golden Spa's rival in attracting the movers and fixers of Japanese business, where she and her husband, a university professor, play raquet ball.

We first considered golf," said Mrs. Fujiwara. "But it was an expensive one-day-aweek affair and because it requires a caddy, not very democratic. We dismissed tennis since it's a younger, strenuous game that involves a lot

What happens if the middle-class wants I what happens if the middle-class wants in conform but cannot alford the price of clui membership? (Sigma has a graduated scale of fees depending on whether the member wants to play tennis. At its most expensive, it mut-1.5 million yen to join, more than \$11,000, a.2. million yen deposit, or \$18,520, 12,000 y monthly, \$89, and 600 yen, \$4.45, for visit.)

The answer lies in public gymnasiums

Finetune

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of expensive gear. We chose racquet ball becanse it's easier to get a court and, after 30 minutes, you look like a rag and have done enough exercise. Also, we can drive to Sigma from our house in 10 minutes."

Sigma, which opened in a residential district of Tokyo in 1983, was only a sports center and not a status symbol, said Mrs. Fujiwara, until former Prime Minister Yasuhiro Nakasone joined

Io the heyday of the "Roo-Yasu" relatiooship - the term the Japanese applied to the friendship of President Ronald Reagan and the prime minister --- the 69-year-old Mr. Naka-sone opted for his own healthy, youthful image. A member of the Golden Spa, where he swam, the prime minister and his entourage were such frequent guests that others in the pool, annoyed at being ousted when he was there, complained to the management. The sorbed him into its 1.900-member club.

"Longevity is the fact of life now," said Mrs. Fujiwara. "People want to feel better and keep up with the Satos." "Keeping Up With the Satos" was Mrs. Fujiwara's title for the Haku-hodo Institute's 1983 study on middle-class conformity.

swimming pools. Most of Tokyo's 23 mar have recreation centers for people who live a work in the ward. The cost for using the index pool or exercise rooms is minimal, perhaps 2 or 300 yen, \$1.50 or \$2.25. There is also the Leisure Development Ce

ter, a public corporation that is helping prefit tural and local governments plan recreasi sites and activities for citizens who do know what to do with free time.

The center's senior director, Motoyu Miyano, explained: "Japanese have a lot free time these days as working hours in becoming fewer. However, leisure facilities in always crowded and expensive and the peop have little information about where to go."

Begun in 1972, the research center reports the government on the leisure business and recreation habits of Japanese. The center al helps plan recreation developments in with areas of the country where Japanese can Ha for several days. Promoting fitness is part the national policy as Japan wants its citize to play at nome.

CHRISTINE CHAPMAN, a journalist in Tokyo, reports on education and cultural

timely investment informati

Personalized analysis and investment advice

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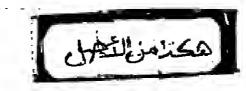
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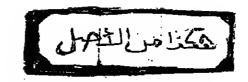
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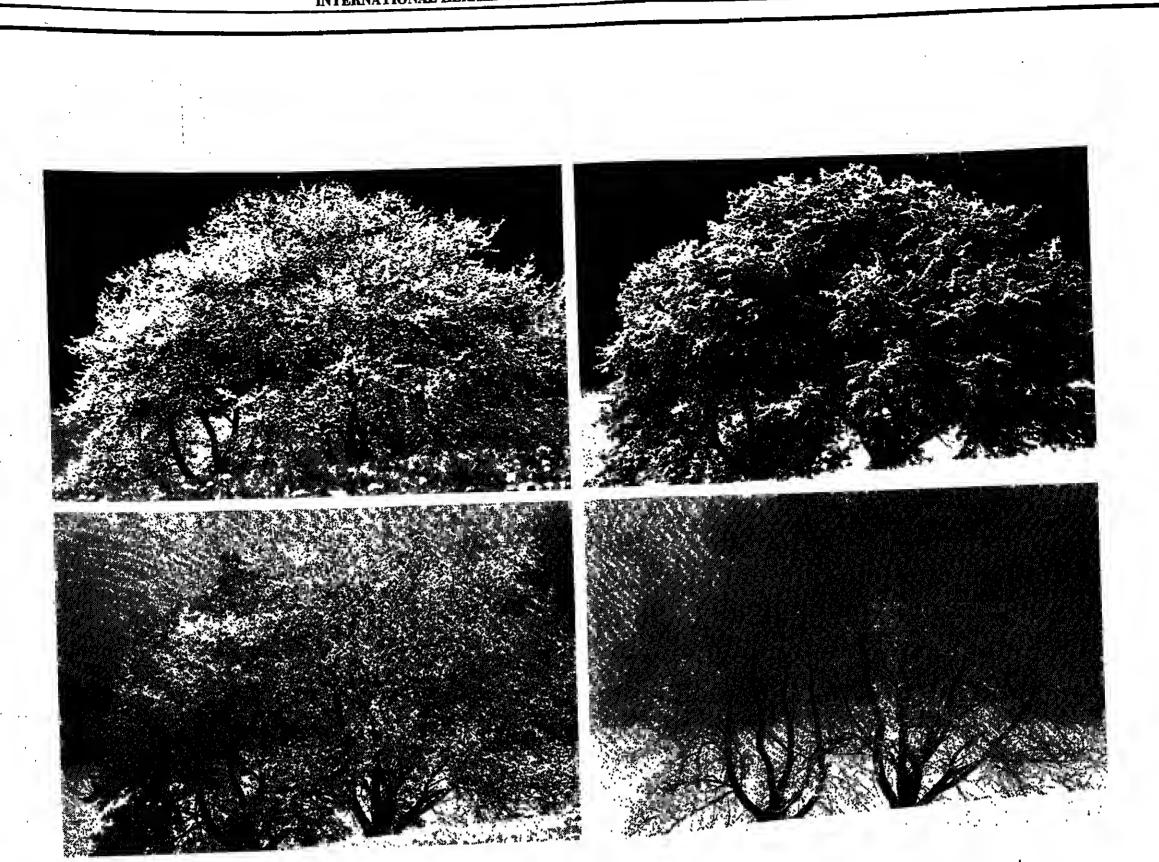
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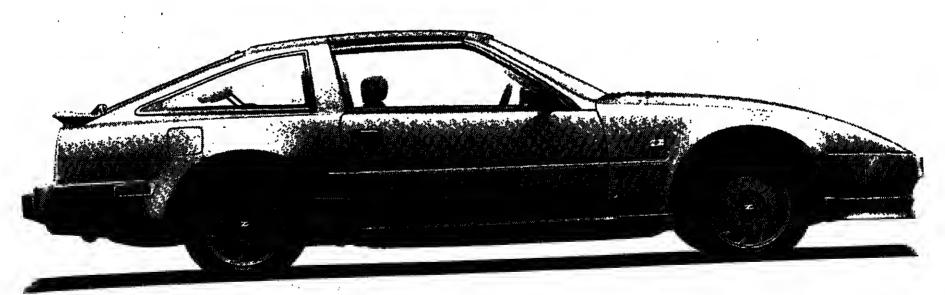
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INTERNATIONAL HERALD TRIBUNE, WEDNESDAY, DECEMBER 9, 1987



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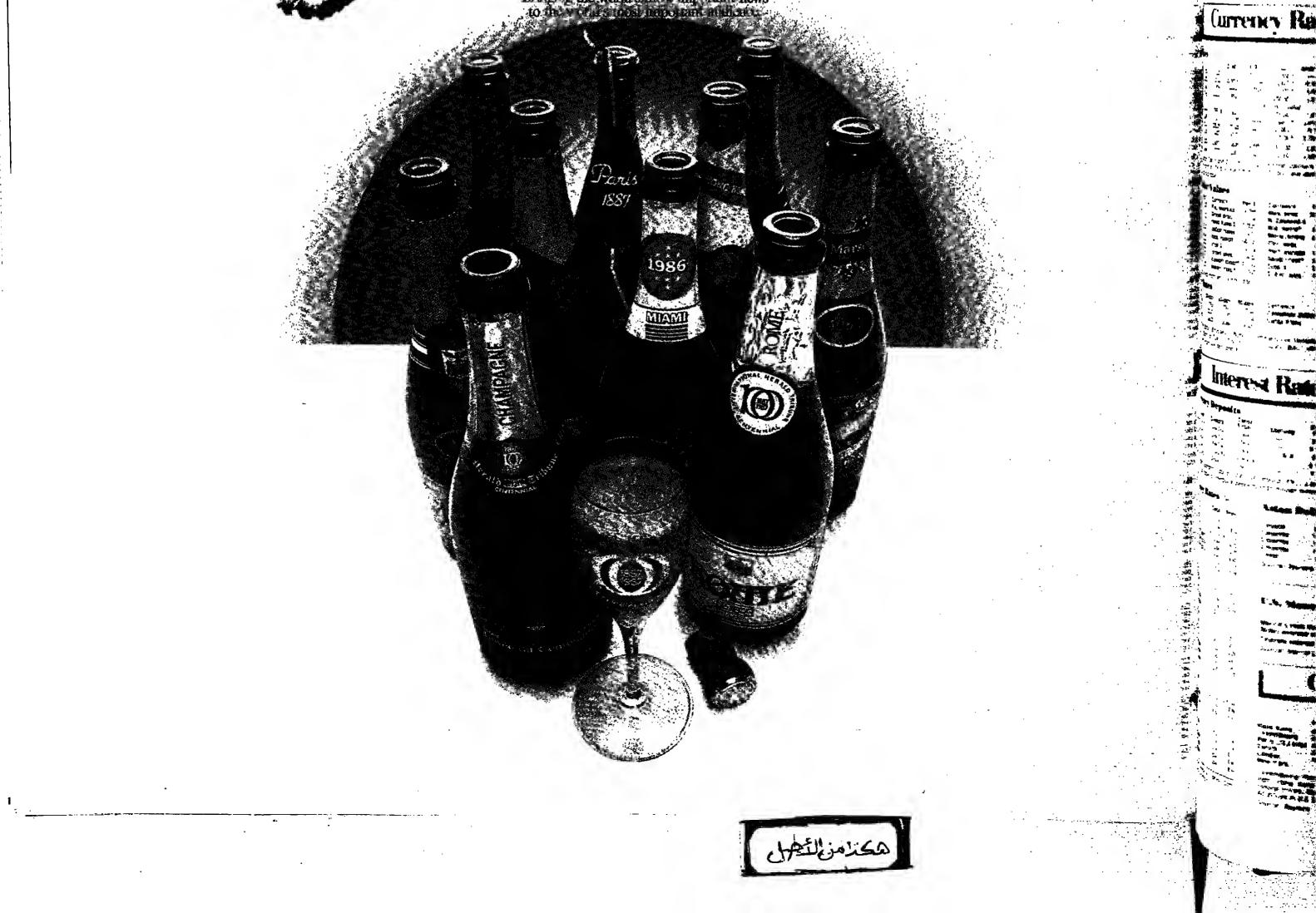
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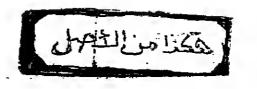
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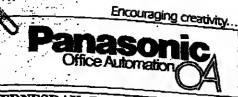
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Herald Eribune.

BUSINESS/FINANCE



EDNESDAY, DECEMBER 9, 1987

MADISON AVENUE

Ad Spending May Resist A Possible Slump in 1990

By PHILIP H. DOUGHERTY New York Times Service

EW YORK — If a recession does indeed develop by 1990, worldwide advertising probably will not be badly hurt, according to John Perriss, worldwide media di-rector of Britain's Saatchi & Saatchi. He told a Wall Street crowd of media and agency analysts that he was basing his prediction on precedents from 1973-75 and 1981-82, when the

economy declined but advertising spending grew. "I'm not suggesting that recession is good for advertising," he said. "But if recession makes its way in in 1989, advertising may not fare as badly as some may

In 1973-75 and

declined but ad

spending grew.

1981-82 the economy

Mr. Perriss was on the lead-inff panel of PaineWebber ac.'s 15th annual Conference on the Outlook for the Media. Also on the platform was Robert J. Coen, senior vice president of McCann-Erick-

son and a respected seer of the marketplace. He forecast that total U.S. advertising spending would increase 9 percent next year, to \$119.72 billion.

When a foreign-based advertising agency opens a branch in New York, it can't really be too hopeful of attracting local clients, what with the great selection of American agencies available.

How about manufacturers from its own country with American branches? A little better chance, perhaps, but even they might feel more comfortable with an indigenous shop, believing that it

knows more about the territory. What it all comes down to is that foreign agencies have not had an easy time gaining a foothold on the slippery byways of Madison Avenue.

One such agency was Intermarco, established here in 1980 by Publicis of Paris, the largest agency in Europe. After seven years, the agency is billing only about \$20 million, and all of its clients, with the exception of Icelandic Airlines, are also clients of the parent company.

THE BIG NEWS from the New York outpost is that the

company's agencies are taking the name of their parent, Publicis. It is a name that now identifies the offices in 27 cities in 11 countries. Only the office in Sweden will retain its turrent name because there is an agency named Publicus in that country.

The name change was celebrated this week with a cocktail reception at the French Consulate given by Claude Marcus, the chairman of the parent company, and Marcel Bleustein-Blanchet, the 81-year-old founder and majority owner who does not usually get an argument when he claims to be the oldest active ad man.

Hal Riney & Partners have resigned the E.&J. Gallo Winery account after seven years of award-winning work on its behalf. The Riney-Gallo parting brings the Gallo agency use-and-discard rate to 13 in 23 years.

Dan Solomon, Gallo's public-relations chief, said the Riney agency's tremendous growth had cut into the time that its executives could spend on the Gallo account, which Leading National Advertisers estimates had billings of \$78 million.

James Travis, president of Riney, said this was not the reason the agency had resigned the Gallo account. He did not elaborate. Adweek, in 1984, called Gallo the worst client an agency could have. Ernest Gallo, 78, is chairman of the privately held company

that has annual sales of more than \$1 billion. A former Gallo agency man, asking not to be quoted by name, said working for the Gallos was emotionally and physically wearing. On the Gallo used-agency heap are such agencies as

Dollar Not Enough to Aid U.S. Exports

Constraints At Home And Abroad

By Barnaby J. Feder

New York Times Service NEW YORK - These should be glory days for America's industrial exporters. Their products bristle with state-of-the-art technology. They are lean and hungry after responding to an onslaught of foreign competition during the early 1980s. And most are using the pricing advantage created by the dollar's steep decline against major industrial nations to regain

old markets or establish new ones. "Everyone feels more competitive whether they make sweaters or lasers," said George Knowles, deputy commercial counselor at the U.S. Embassy in London, which recently hosted a trade show for more than 70 small

American electronics companies intent on joining the exporters' ranks. The optimism is understandhuge debt loads. able. Overall, the volume of man-

ufacturing exports is up nearly 19 percent for the year ended Sept. By dollar value in 1986, in billions of dollars

30, compared with a 14 percent gain for all goods and services, according to Data Resources Inc. of Lexington, Massachusetts. Such figures are raising hopes in Washington that exports by the rejuvenated manufacturing sector will play a major role in closing the nation's trade gap. In-deed, the Reagan administration appears to be counting on further dollar declines to add new momentum to the drive. But against the background of

this encouraging rebound, some built-in constraints are starting to stand out - problems that will hobble the pace at which manufacturing exports can grow, "The declining dollar is very important but it's not enough," said Walter Joelson, economist for General

Electric Co. of the United States. dropped dramatically," said Mr. Joelson. "The decline of the dol-lar makes our products more The most obvious constraint is that foreign customers have to be wealthy enough to buy American competitive, but it is not going to bring out boyers. Resolving debt products, even when their prices come down in local corrency problems is clearly a critical eleterms. The manufacturing exportboom could quickly fizzle if inment on the export front."

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percent more cars than the domestic market demands - or basic steel to Europe.

"There's 150 million to 200 million tons of excess capacity in the world today," said Robert A. Wendt, manager of economic

nies export a substantial number

can industry has become so lean \$15.3 it is anorexic in some cases, says David D. Hale, chief economist for Kemper Financial Services. Steel plate shipments are now one-third the level of the early 1970s, but so close to the indus-

try's current capacity that a few months ago Bethlehem reopened a mill in Burns Harbor, Indiana, that it mothballed three years

ago. The chemical industry is even more constrained. "Exports rose 20 percent in each of the past two years, but we don't see it happening in 1988 because of capacity limits," said Paul Roessel, director of international plans at Du Pont Co. Du Pont, he says, is already selling as much nyion for hosiery, packaging films, white pigments and Teflon wire coating as it can produce after its major capacity cutbacks during the See CONSTRAINTS, Page 15

Page 11 **BP Buys Stake** In Britoil, Bids For Up to 30%

with advanced technology

Panasonic

By Warren Gerler

nal Herald Tribune LONDON - In a "dawn raid" Losday, British Perroleum Co. snapped up 14.9 percent of Britoil PLC's shares onistanding on the stock exchange, and later an-nounced a tender offer to raise that

stake to 29.9 percent. The offer for the oil company, at 300 pence per share, reflects a premium of more than 60 percent to Monday's close in Britoil shares and values the company at about £1.5 billion (\$2.7 billion). The 29.9 percent would cost BP about £450 nillion.

In recent months, BP has sig-naled its readiness to pursue acqui-sitions, after its \$7.6 billion purchase earlier this year of the 45 percent of Ohio-based Standard Oil Co. that it did not already own.

Britoil has long been regarded as an attractive takeover target. After BP, it is Britain's largest independent oil exploration and production company. It has extensive oil

and gas assets in the North Sea. The British government retains a so-called golden share in Britoil, giving it the power to veto any takeover bid. And if BP buys 30 percent or more of Britoil, it will under British law have to make a full bid.

"BP is likely to get the 29.9 per-cent, and it's obvious that it's going for a full takeover at some later point," said Peter Nichol, oil ana-lyst with Chase Manhattan Securi-

ties in London. "At 30 percent, BP would only benefit from Britoil's dividend, but oot its cash flow," be said. "BP will want both, which was why it want-

ed to complete the takeover of Standard" at such a large cost. Late Tuesday, BP said that it had purchased 75 million ordinary shares in Britoil on the market, eminibility to 10 percent and that equivalent to 14.9 percent, and that lion for the current year. it would make a tender offer for a Oil market analysts f

further 76 million shares. BP raised £1.5 billion in a rights issue last month, which was inte-grated into the government's £7.5

stake in BP that is thought to be around 11 percent. Britoil shares had touched a high

of 300 pence in early trading Tucsday, after news that an unidentified investor had purchased about 15 percent of its shares for 300 pence each or slightly less.

The identity of the investor, BP Petroleum Development Ltd., had been the subject of fucious market speculation until the BP parent un-veiled its plans at the end of Tues-day's trading. BP's tender offer closes oo Dec. 16.

By the official close of trading Tuesday, Britoil shares had lost some of their early gains, falling back to 266 pence. But in after-hours trading following BP's an-nouncement, the share purice had nouncement, the share price had climbed to just short of 300 pence. Britoil shares were the most ac-tive in a busy day on the London Stock Exchange, with more than 193 million Britoil shares changing.

"BP is paying a very high price for these Britoil shares in relation to current stock market condi-tions," said Michael Unsworth, oil industry analyst with Smith New Court Agency, a London broker. This shows how much BP wants

these shares, and one assumes that BP will be willing to wait a few years for the government to let go of its golden share." The government can maintain its

veto power indefinitely, but Britoil's management has urged the government to consider lifting the golden share within a few years. Britoil said later that it was con-sidering BP's offer and advised shareholders not to take any action until it contacts them with advice.

Britoil posted net income of £33 million in 1986, and most analysts are forecasting a sharp rise to around £120 million or £125 mil-

Oil market analysts had been forecasting that big oil companies with ready cash would opt to buy undervalued shares of smaller, stragrated into the government's £7.5 tegically placed competitors hop-billion BP share offer to the public. In November, Knwait moved to pick up some of the stock, buying a oil and gas fields on their own.

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Caterpillar Inc. equipment being loaded for export from San Francisco. studies for Bethlehem Steel Corp. Moreover, dollar declines can dustrial nations fail to grow at a "I'd question any assumption that much demand for U.S.-made healthy clip and developing nado little to belp American compations continue to stagger under

of cars to a country like Japan, Over the last 10 years, our where nine domestic producers exports to Latin America have have enough capacity to make 40

steel coists overseas." Of equal importance, some economists say, is that companies such as Mr. Wendt's are now so lean that they would have trouble meeting a substantial increase in America's Top 8 Export Products foreign demand. In fact, Ameri-

ltor Needham Harper Worldwide.

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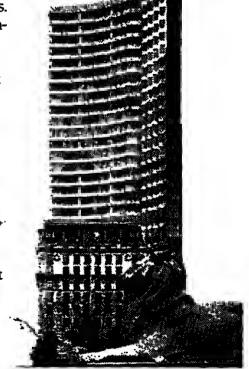
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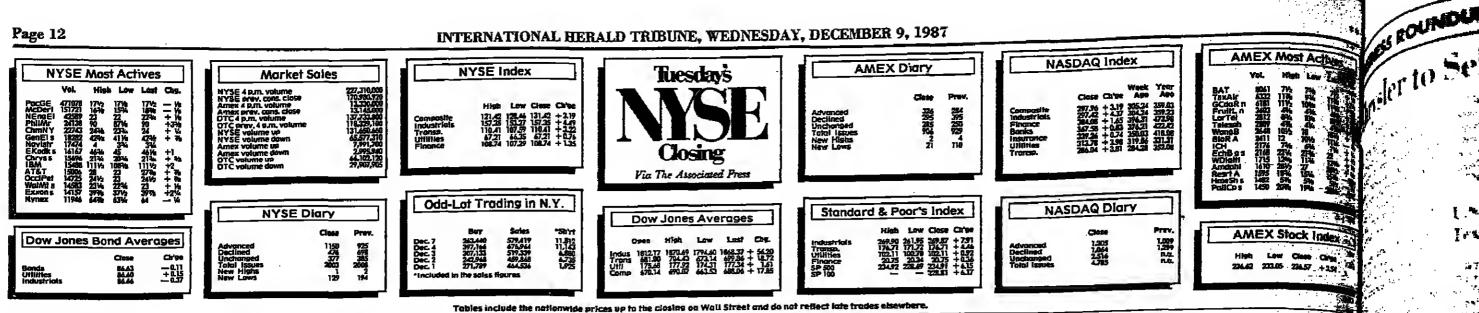
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FIGURES AS AT DECEMBER 31, 1986: TOTAL ASSETS: US \$ 16.8 billion SHAREHOLDERS' EQUITY: US \$1.6 billioo

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NEW YORK - The stock market surged forward Tuesday when a wave of late buying sent prices soaring, turning a colorless session into a big winner.

into a big winner. Trading was heavy. The Dow Jones industrial average, which rose 45.43 Monday, jumped 56.20 to close at 1,868.37, the eighth largest point gain ever. The Dow rocketed about 42 points in the final 30 minutes. It had jumped 18 points in the first hour and then retreated to spend most of the coefficient ground the period where he fore the the session around the previous close before the dramatic run-up.

Broad market indexes also gained. The New York Stock Exchange index rose 3.19 to 131.42. Standard & Poor's 500-stock index rose 6.15 to 234.91. The price of an average share jumped 72 cents

Advances topped declines by more than a 2-1 ratio. Volume was 227.3 million shares, up from 46.7 million shares traded Monday.

"This is very impressive," said Trude Latimer of Josephthal & Co. Computer-driven programs "might have got the ball rolling," she said. "There was some short-covering going on as well. Then there was some legitimate buying from those who had been on the sidelines. They were encouraged to jump in."

Alan Ackerman, senior vice president at Gruntal & Co., said, "What this market told us today is that there is a willingness to buy stocks if conditions are proper. But again the real question is what's ahead in terms of the budget deficit, the trade deficit and the dollar, and our

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government's ability to deal" with those prob-Ms. Latimer said the most important influ-ence in the market over the next day should remain the October report on the U.S. merchan-dise trade deficit, set for release Thursday.

"Right now, you are hearing estimates of \$14.3 billion to as high as \$16 hillion, depending on who you talk to," Ms. Latimer said, noting that the September deficit was \$14.08 billion.

"If you get a number up around \$16 billion, it will be sad," she said. Jon Groveman, head of equity trading at Ladenburg, Thalmann & Co., said the market would anxiously await "the reaction in the cur-

rency markets to the trade numbers." Pacific Gas & Electric was the most active

NYSE-listed issue, down ½ to 17%. McDermott International followed, off ½ to

New England Electric was third, up 1/2 to 2214. AT&T was up 1 to 28, IBM gained 2 to 1111/2.

Among other blue chips, General Electric was up % to 42%, Kodak was up 1 to 46%, Sears was up 1% to 32%, American Express was up 34 to 2214, USX was up 1% to 2914 and Merck was up ½ to 158½.

Prices were higher in active trading on the American Stock Exchange. The Amex Market Value index rose 3.54 to

236.57. Advances led declines, 324 to 293. The price of an average share rose 15 cents. Volume totaled 13.33 million shares, up from 11.95 million Monday. BAT led the Amex actives, up 1/2 to 71/2. Div. YIL PE 1005 Kigh Low Qual, Orige High Law Quet. Chipe TOD's Hegh Low 495 AUGA8936355 4499 745 704 727 713 724 101 7290 49 49 49 49 49 49 49 49 10 10 729 49 10 729 10 72 +1% 714 20112494 19494 1979 1979 4.50 10.7 +1*

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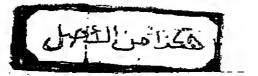
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BUSINESS ROUNDUP

INTERNATIONAL HERALD TRIBUNE, WEDNESDAY, DECEMBER 9, 1987

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Chrysler to Sell Mitsubishi Coupé

HILTON HEAD, South Carolina - Chrysler Corp. is expected to sell through its Jeep-Eagle dealer setwork a two-door coupe to be built at the new Diamond-Star Motors plant that Mitsubishi Motors Corp. will open in Illinois next year, company sources said Tues-

At the same time, Chrysler an-nounced that it was canceling a coupe version of a new model developed by American Motors Corp. and Renault

A Chrysler executive said the move would probably force his company to pay penalties to the French automaker.

At a press conference to preview products of the Jeep-Eagle business it acquired in August by buying AMC. Chrysler said it was drop-ping the AMC nameplate and in-stead would sell AMC cars under the new Eagle nameplate.

worked out," said a company spokesman, Bernard J. Kilkelly, in

New York. But the agreement was disclosed because "the company

felt a need to show that the compa-ny is moving forward," he said, Cannon, based in Los Angeles,

elected four Enropean directors to its board, including Bob Hankes-

Drielsma, e director of Melia. The

others are directors of Interpart SA

of Loxembourg, Cannon's Europe-an investor, which since June has

advanced the company funds for

operating needs and to meet inter-

The Diamond-Star plant, due to open in the second half of 1988. represents e joint venture between Chrysler and Mitsubishi, with the Chrysler and Mitsubishi, with the Because of the cancellation, the new plant in Bramales, Ontario, where the Premier is built, will equally.

The coupé version of the new probably operate on one shift through 1989, Chrysler's vice chair-man, Bennett Bidwell, said.

U.S. Ruling Bolsters Texaco Stockholders

Renter WHITE PLAINS, New York -

Debt-Burdened Cannon Plans Merger

The merger will need approval from shareholders, lenders and

U.S. and European government of-

nite layoff at plants in Michigan, Delaware and Missouri to try to cut The U.S. Bankruptcy Court grant-ed Texaco Inc. stockholders on inventories. Tuesday the power to veto any set-Mr. Bidwell said the Allure was thement Pennzoil Co. attempts to reach with Texaco creditors in the companies \$10.3 billion dispute. canceled because it would have duplicated some of Chrysler's other vehicles

A source close to Texaco said the He said Renault was bolding ruling would alter negotieting back an undisclosed amount of stances sharply. Texaco filed for court protection from creditors in April after the award in Pennzoil's inter the award in Pennzoil's ebrupt decision to drop the coupe.

Chrysler said recently that it was

placing 2,900 employees on indefi-

B&C Will Pay £188 Million for

Rest of Abaco

Reuters LONDON — British & Commonwealth Holdings PLC, the financial services conglomcrate, said Tuesday that it had reached agreement to acquire the entire share capital of Abaco Investments PLC for £188.3 million (\$338 million). B&C, which already owned

27.5 percent of Abaco, e financial services group, said the terms of the offer were one new ordinary B&C share and 405 pence in cash for every 10 Abaco shares, valuing each Abaco share at 70 pence. B&C said Abaco's other ma-

for shareholders agreed to the offer. These are Canada Life Assurance Co., with a 9.4 per-cent stake, and Standard Chartered Bank PLC, with 4.4 percent. Independent directors who own Abaco shares amounting to a 5.7 percent stake also agreed to accept the B&C offer. Abaco shares, suspended Monday at 53 pence, closed at 57 pence on the London Stock Exchange, after rising as high as 66 pence after the announce-ment. British & Common-

wealth fell 10 pence to 285. In July, B&C agreed to ac-quire Mercantile House PLC, another financial services group, in a share swap valued at E490 million.

B&C's chairman, John Gunn, declined comment, saying that because he is also a director of Abaco that would not be appropriate.

Preussag Expects a Small Profit This Year

HANNOVER, West Germany - Preussag AG, the metals and energy group, said Tuesday that it expected only a small profit in 1987 although sales rose 13 percent in the third quarter from the second Commenting on the company's interim report, a Preussag spokes-man declined to say whether there might be e dividend on 1987 re-sults. The spokesman said that de-

pended on the dollar's movement

Preussag's management board chairman, Günther Sassmannshausen, said in May that Preussag was

comparable with 1985 results and figures for revenue this year were not comparable with 1986 data, the spokesman said.

This year, group sales stood at 2.3 billion DM in the third quarter and at 6 billion DM in the first nine months. This included figures for W. & O. Bergmann GmbH, a metal trading concern that Preussag took over at the start of 1957. Bergmann had sales of 2.2 billion DM in 1986.

In Preussag's metals division, the Amalgamated Metal Corp. subsidiary showed good third-quarter results. Profits from metal trading improved along with spot prices in London and New York.

1985. It posted a 1986 group net Zinc prices fell in the third quar-profit of 79 million DM, based on a ter despite relatively good demand new method of calculating consoli-dated results in line with new re-porting guidelines. on the European market. However, the average zinc producer price in The 1986 group results were not mark terms rose 5.5 percent from the second quarter.

FIDELITY ORIENT FUND

Société d'Investissement à Capital Variable 13, Boulevard de la Foire, Luxembourg R.C. Lanenabourg B 19061

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of FIDELITY ORIENT FUND, a société d'investissement à capital variable organized under the laws of the Grand Duchy of Luxen-bourg (the "Fund"), will be held at the principal and registered office of the Fund, 13, boulevard de la Foire, Luxenbourg, at 11:00 a.m. on Decem-ber 29, 1987, specifically, but without limitation, for the following pur-

nion of the Report of the Board of Directors. L. Pres

- 2. Presentation of the Report of the Statutory Auditor.
- 3. Approval of the balance sheet and inco al your ended August 31, 1987.
- 4. Discharge of Board of Directors and the St 5. Ratification of the co-option of Compagnie Fiduciaire Director of the Fund in replacement of Finimtrust S.A.
- Election of eight (8) Directors, specifically the re-election of the following eight (8) present Directors: Messra, Edward C. Johnson 3rd, William L. Byrnes, Charles A. Fraser, Hisashi Kurokawa, John M.S. Patton, Harry G. A. Seggerman, H.F. van den Hoven and Compagnie Fidnciaire
- 7. Election of the Statutory Auditor, specifically the e Coopers & Lybrand, Laxembor erg.
- 8. Consideration of such other husiness as may properly con before the meeting.

Approval of the above items of the Agenda will require the affirmative vote of a majority of the shares present or represented at the Meeting. A quorum is not required. Subject to the limitations imposed by law and the Articles of incorporation of the Fund, each share is entitled to one vote. A shareholder may act at any meeting by proxy. Dated: November 29, 1987

BY ORDER OF THE BOARD OF DIRECTORS

LOS ANGELES — Cannon contribute all their operations to e didn't admit anything and we didn't deny anything," said Mr. Globus, referring to the settlement. The SEC filed suit assist Canter and tourism company in Am tel and tourism company in Amsterdam that has ties to the filmtaker's European investor. ficials, the company said. It is also The debt-laden company did not subject to resolution of shareholder maker's European investor. disclose details of the restructuring suits pending against Cannon. "None of the details have been In a telephone interview from "None of the details have been

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est payments on its debt. Contra Generalez In November, Cannon owed \$300 million to banks and \$280

million to note holders. In May, Interpart and Cannon's Dome Petroleum Ltd., for which it chairman, Menahem Golan, and bid unsuccessfully earlier this year, N 2 ATM president, Yoram Globus, created had agreed to sell its 42.5 million a vehicle called Intercorporation, shares in Encor, representing whose goal was to restructure Can- Dome's 35 percent stake. non. Intercorporation now controls

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PC Makers

Strong '88

Forecast

Reders was raising its offer for Encor Ener-

1.06 billion.

The divi

capital. nadian dollars (\$870 million) from

of the shares.

TransCanada said it was raising Financially troubled Dome, its offer for Encor's 6.75 percent

a major portion of Camon's stock, which is itself being taken over by convertible debentures to 937.50 Under the proposal, Cannon and Amoco Corp., said it would use the dollars for every 1,000 dollars in Melia, which is traded on the Am- proceeds of about 398.4 million principal amount from 875 dollars. HENDERSON MANAGEB INVESTMENT COMPANY

for the rest of the year. The spokesman said Prenssag had made only a small profit in the first nine months of 1987.

likely to omit its dividend again in 1987. In 1986, the company paid no dividend because of heavy losses in its key base metals division. In 1986, Preussag's parent com-pany net profit slumped to 900,000 Deutsche marks (\$538,600 at cur-

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GETTING BIG PROJECTS OFF THE GROUND IS A SPECIALTY OF BAYERISCHE LANDESBANK.



(NYT, IHT, Reuters) **TransCanada Increases Bid for Encor** TORONTO - TransCanada Imperial Bank of Commerce for PipeLines Ltd. said Tuesday that it about 360 million. The loan was

TransCanada also said that

dollars to repay a loan to Canadian Imperial Bank of Comperce for secured by the Encor shares. Dome said it would retain the

TransCanada said the offer,

raised to 9.375 dollars for each Encor common share from 8.75 dollars, was no longer conditional upon receiving at least 50,1 percent

ing irregularities.

gy Corp., valuing the company's common shares at 1.14 billion Ca-

balance of the money as working

according to an SEC spokesman, when Cannon consented to a court London, Mr. Globus said his comorder that prohibits future violapany had reached e settlement with tions of securities laws. the U.S. Securities and Exchange It also agreed to have an inde-Commission that "terminated" an pendent auditor review its accountinvestigation into alleged accounting procedures and recommend

and inflated profits.

non on Nov. 9, alleging that the company had defranded investors

The suit was settled immediately,

New York Times Service SANTA CLARA, California Despite the stock market plunge and fears of a recession, US per-Sonal computer makers predicted on Tuesday near record growth in 1988, fueled by demand for a sig-nificantly more powerful generation of machines.

The forecasts, which appear to run counter to those for the automobile industry and a range of cap-ital-equipment makers, were made at a Silicon Valley conference. Companies ranging from Apple Computer Inc. to Compaq Com-puter Corp. said they expected in-dustry growth of 20 to 30 percent in 1988.

"The numbers we are expecting next year are in the 20 to 30 percent range," said Rod Canion, chief et-ecutive of Compaq, the Honston-based maker of IBM-compatible machines. "We plan to slightly outperform the industry."

Compaq's sales this year have nearly doubled, and analysis are expecting the company's revenues this year to top \$1.1 billion.

On Monday, John Sculley, Ap-ple's chairman, said he was "quite optimistic" about 1988, as computer bayers move to "much higher-value systems." He said: "There are a lot of aging PCs out there waiting to be replaced."

Some industry analysts are far more pessimistic about next year's outlook, saying that in a recession, corporate computer users would simply delay conversion to a more capable generation of computers. There is a real danger that too many companies will make too many personal computers next year," said Richard Shaffer, editor of Technologic Computer Letter, which is sponsoring the conference. Whether companies are willing to make that transition is a key question for International Business Machines Corp., which is spending millions of dollars to convince customers to switch to a new genera-tion of PCs, called the PS/2, IBM has ceased making its older line. And sales of PCs drive much of the semiconductor industry, which is already nervous that its recent recovery may be short-lived.

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ara, 1st December, 1967.

modation of the Board of Directors and have has approved the recom ed to pay a dividend on all the shares outstanding on 25th November 1987 of L

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201 Fit All matches (2011) Fit State Fit State Fit State Fit State Fit State Sta	6737 +45 7790	Readers AM — Fokker NV, the Dutch a merger before the end of 1990 us of a S27 million guilder (S281 plan announced in October. mendation is included in state- ed before a Dec. 22 shareholder vill consider the rescue plan and board. in early October that it might h West Germany's leading acro- y, Messerschmitt-Bölkow-Blohm
livestock 444.00 Strong Jon	574 Standard Randow Contraction	Court Kules The government has said the state will also receive a majority of preference shares, ensuring control of Fokker. If the state fails to gain 49 control of Fokker. If the state fails to gain 49 the rights issue, another rights issue would be
Addition Examplements TATO		But the state would sell on the bourse any shares it obtained above 49 percent, it said. Tokker will receive 527 million guilders in the frank of the state would sell on the bourse any shares it obtained above 49 percent, it said. Fokker will receive 527 million guilders in the frank of the state would sell on the bourse any shares it obtained above 49 percent, it said. Fokker will receive 527 million guilders in the frank of the state would sell on the bourse any shares it obtained above 49 percent, it said. Fokker vill receive 527 million guilders in the frank of the state would sell on the bourse any shares it obtained above 49 percent, it said. Fokker vill receive 527 million guilders in the frank of the state would sell on the bourse any shares it obtained above 49 percent, it said. Fokker vill receive 527 million guilders in the state would sell on the bourse any shares it obtained above 49 percent, it said. Fokker vill receive 527 million guilders in the state would sell on the bourse any shares it obtained above 49 percent, it said. Fokker vill receive 527 million guilders in the state would sell on the bourse any shares it obtained above 49 percent, it said. Fokker vill receive 527 million guilders in the state would sell on the bourse any shares it obtained above 49 percent, it said. Fokker vill receive 527 million guilders in the state would sell on the bourse any met favorable. It said it would pro- dice about 29 of the planes annually in coming years. The first F-100 would be delivered in January.
4000 Bal Centrol	12.4 12.4 12.1 - 11 74.4 74 0.4 0.4 r 0.4 r 0.4 0 on the London 1	I was accused of misleading in- iana about silver futures traded Metals Exchange. The investors led to believe that they could come tax dynactions on losses in 91 options on the plane.
Free Day Open Int. 11,197 en 328 Food Food CoFF Bit C (NYCSCE1) 22,20 Dec 72,20	(Indexes complete thority before market close) (Indexes complete thority befor	rket. I in turn sued Rudolf Wolff & in capital bought and sold the rough Wolff. said that if it lost its snit by the tors, it should be able to recover iff & Co. the Supreme Court upheld a ng that federal coorts in Louisi- stiction over Omni Capital's archolders Approve Sale
10 metric lans-6 per lan 2220 1739 Dec 1740 1739 1736 -12 EURODOLLARS (1MM)	Moody's 1029.407 1029.407 72.55 76 63.4 r 1.6 DALLAS 1.7 211 92.0 72.05 7.4 63.4 r 2.16 0.43 r r DALLAS -15 211 92.0 72.05 7.4 57 r 1.27 r r 2.14 spproved Tuesd 215 72.05 -0.5 7.15 7.45 76 r r.20 r r spproved Tuesd 7.15 7.05 -0.5 0.1.5 7.45 76 r r r r spproved Tuesd 7.15 7.05 -0.5 0.1.5 7.45 77 s r 0.43 s r buyout of the other 7.04 7.15 -0.1 Moody's : bosts 100 : Dec. 31, 1931. 7.35 80 s r r buyout of the other 1.41 71.55 -0.1 Partementary 1.5 f.50 r r r <td>he Associated Press Southland Corp. shareholders lay a \$4.9 billion leveraged company by members of the pson family. Financing is to le of \$2.2 billion in bank loans. Lockheed, Aerospatiale, British Aerospad PLC and Messerschmitt-Bolkow-Blohm GmbH of West Germany have began initial work of the plane. Last week two more groups — Aeri- talia SpA of Italy and Constructiones Aeronair- ticas SA of Span — signed a memorandum of understanding to join the project.</td>	he Associated Press Southland Corp. shareholders lay a \$4.9 billion leveraged company by members of the pson family. Financing is to le of \$2.2 billion in bank loans. Lockheed, Aerospatiale, British Aerospad PLC and Messerschmitt-Bolkow-Blohm GmbH of West Germany have began initial work of the plane. Last week two more groups — Aeri- talia SpA of Italy and Constructiones Aeronair- ticas SA of Span — signed a memorandum of understanding to join the project.

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of fround 29 Taiwan dollars.

Allen Sinai, chief economist for Shefison Lehman Brothers Inc., said of the four nations' trade: "It is a critical factor. It's about time some of the heat was shifted from Japan and Germany and onto the newly industrialized countries,"

The September U.S. trade deficit antowed by S1.6 billion from the previous month. In response, the Source and Japanese manufacturers have squeezed their profit margins as far as they can because of the dollar's decline. Eventually, they will be forced to raise U.S. prices, which narrowed by \$1.6 billion from the Dow Jones industrial average rose 61.01 points, its seventh biggest one-day point gain.

The reaction underscored the importance that Wall Street attaches to the monthly statistics ever since disappointing deficit figures for August sent the market into a pin that culminated in the Oct. China assumes sovereignty would 19 collapse, when the Dow plunged a record 508 points. ignite a panic in its financial mar-

Some economists believe that its fixed exchange rate link of October's trade results might not be as good as September's because of seasonal imports that watch be as good as September's because The Taipei government has nobody in the Defense Department of seasonal imports that usually shown the most flexibility. But about to pull out the troops be-

1985 period.

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gr. Sinai is expecting the deficit woefully undervalued.

If you have just gone through

surge in demand for exports is

caused by a declining dollar. Our experience has been that

currency only lasts a few years,"

said Stephen Hardis, vice chairman

vehicle-component concern. "You don't rush out and add capacity for

what is a pretty ephemeral advan-

For American manufacturers that have already lost the global a battle for industrial survival, dollar

declines cannot help at all. During

if ited States was a leading export-

machines, shoe-making machines

and printing presses. Those exports

- and the parts and service orders

that went with them - all but dis-

volved were merged with or

A large portion of the American

prominence in export markets, has

more recently suffered the same

The dollar's decline could even-

tually provide a partial compensa-

tion: Foreign companies may step

for export to their home markets

E but economists question whether it

is can lead to a sharp net increase in

exports because such plants typi-

and other countries. That trend has

already begun on a limited scale,;

a appeared as the companies in-

. in crushed by foreign competitors.

I High-Lans consumer electronics industry, which had never achieved the same

fate.

the first half of the century, the

the trauma of cutting back, you tion equipment company that aren't going to turn around and wants to sell its products to a forthe trauma of child goads, you tron equipment company that aren't going to turn around and wants to sell its products to a for-build up quickly," Mr. Roessel eign government takes 18 months said. That is especially true when a to find a local partner and steer a

the advantage you get from a weak ical equipment has an uphill battle

TIGERS: 4 Asian Nations Limiting U.S. Trade Gains On Summit Fringe, Soviets Tout Joint Ventures figure for October to be around \$15 billion. That is slightly wider than September's \$14.08 billion and, be Administration officials recently acknowledged, "marginally dan-gerons" for a volatile stock market.

The second states and the second states and second states and second states and second states and second states

Against this background, the trade dispute with the four Asian countries has taken on new imporfour nations to reduce their export dependency. If not, he said that they would "encounter adjustlance. ments more painful than those they It is widely felt that European

are now being eccouraged to make In the past, the administration has avoided such harsh language. The four Asian oations, to varying degrees, are considered political should slow their export growth. and military allies. Washington has But the tigers have protected themselves by moving their currenappeared especially cautions in its dealings with Second so as not to cies lower in line with the dollar. upset South Korea's fragile democ-Hong Kong, fearful that a deci-sion to revalue its dollar before

ratization process. "The persuasiveness of Washington when it comes to trade has been just about zero," said Clyde V. DCI'S. Prestowitz, a former policy adviser at the U.S. Commerce Department. "We may think that the Koreans are dependent on us, but there is

(Continued from first finance page) chargers to Japanese car makers to move production to be close to ments, and they want the ket for computer-aided tomogra-chemical industry's tough 1982. opens a plant in Japan to be near its its customers. components to arrive only when phy diagnostic devices, better chemical industry's tough 1982. opens a plant in Japan to be near its its customers. Components to arrive only when phy diagnostic devices, better

panies by management consultants

McKinsey & Co. McKinsey found

that these companies, with average

international sales of \$82 million

CONSTRAINTS: Lower Dollar Is Not Enough to Aid U.S. Industrial Exporters

cause of trade. This is a game that the Koreans are very skilled at." economists believe its dollar is still

· A Milwaukee-based construc-

An American exporter of med-

deal to completion.

have made their complaints public. Two weeks ago, David C. Mallord, the U.S. Treasury's top interna-tional affairs official, warned the the difference officials, here in con-

nection with the summit meeting, have begun efforts to sell skeptical U.S. businesses on more exchanges and joint ventures with Moscow. During often frank exchanges

that were part of an unusual meet-ing at the Soviet Embassy, one American businessman asked how the country would deal with competition among such operations in-side the Soviet Union.

Abel G. Aganbegyan, the top economic adviser to Mikhail S. Gorbachev, the Soviet leader, replied that the issue had created "major problems" for Soviet plan-

"We do want to enhance competition," he told the questioner on Monday, "but the word has ocgative connotations: bankrupicy, unemployment. We use another word, roughly translated as 'contest' of 'emulation.'"

Another businessman asked why the Soviets were pressing ahead on

Stepan Sitaryan, deputy chief of Soviet State Planning Commis-conclude an agreement that would ead a ban on U.S. imports of nickel from the Soviet Union. the Soviet State Planning Commis-sion, Gosplan, said, We have studied joint ventures very closely, and the fact that the experience is

But he added that "we will give greater anention to the detail of companies to come running after this, but it was a beginning," said Robert E. Mathe, senior consultant our joint venture agreements." Although trade and comomic isof Ashland Technology Corp. of sues are not on the summit agenda, Arlington, Virginia. the Soviet Union is boping that any

The first joint venture involving relaxation of political tensions will a U.S. company was announced last month, between Combustion lead to a lowering of trade barriers and greater access to Western tech-Engineering Inc. of Stamford, Connology. Vladimir M. Kamentsev, the top Soviet trade official, arrived Mon-rochemical facilities. rochemical facilities.

day with Mr. Gorbachev. He is a Among other companies considdeputy premier and chairman of ering joint ventures are Singer Co., aerospace and tools; Monsanto Co., chemicals; Eli Lilly & Co., the State Foreign Economic Commission.

Mr. Kamentsev was expected to drugs, and Occidental Petroleum see Commerce Secretary C. Wil-liam Verity Jr. on Tuesday. Ac-cording to American officials, the two may agree to U.S. participation taurants in Moscow.

joint ventures when such experi-ences had been so dismal in other chinery next year and would try to about 30 midlevel American execu-countries. Suprovan deputy chief of an arrest that would inves, many of them Washington representatives of major compa-nies. Also attending were officials repre The reaction of Americans to the

from the Commerce Department meeting at the Soviet Embassy was polite, cautious and skeptical. and the U.S. Chamber of Commerce. "You can't expect American

The meeting was seen as a smallscale preview of one scheduled for Thursday afternoon at the Soviet Embassy between Mr. Gorbachev and chief executives of about 80 leading companies.

Ready to Double At the bottom of the '87 crash Indigo put together an index of ten highput together an index of ten high-tech stocks with an average price near \$10 which showed promise of maving back uphill. Now that the index looks ready to double in its earliest upoving, write, phone or tel-ex for complementary reports ex-plaining the overlooked power in re-lated industries. Indigo 'Indigo is not

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... AND UP AGAIN **IN NOVEMBER**

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GAIN FOR OCTOBER	+	10.9%
GAIN YEAR-TO-DATE	+	57.9%

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SILHITS

of Eaton Corp., the electrical and grant export licenses, far more than than 8 percent for all other domes-America's Top 12 Customers Total dollar value of U.S. exports in 1986 was \$217.3 billion. Twelve largest markets are shown, in billions of dollars. Japan \$26.9 Mexico \$12.4 Britain \$11.4 West Germany \$10.6



the governments of its West Ger- tic companies doing business over-

The New York Tenns

man and Japanese competitors. . A robot maker is barred from The same forces will be working selling its products in Eastern Eu- on companies now rushing into export markets because of the declinrope by Defense Department reguing dollar. "By and large, there are

often require. Delayed orders are important because, although the U.S. Census Bureau lists about 15,000 categoout of total sales of \$360 million, expanded foreign assets at an anselling to China because the United nual rate of 20 percent from 1981 States takes nine months or more to to 1986. That compared with less ries of exported products, there are 'By the time we get an export

license, the order

has in some cases

gone elsewhere.'

-Robert Moliter,

General Electric Co.

The strength of this impulse to needed. This strategy saves them

Exporters and consultants say tually consumed two years. Today, as GE has become more that another constant drag on the growth in manufacturing exports is familiar with the equipment modithe lengthy orgoniation period they fications the government requires on shipments to communist nations such as China, the licensing

> Robert Moliter, manager of gov-ernment programs for GE Medical Systems, who said that GE's rivals obtain their licenses up to six months sooner. "By the time we get a license, the order has in some cases gone elsewhere."

What's more, restrictions on high-technology exports have a major impact on the smaller, startup companies that include many of

the nation's fastest growing export-ers. "We get inquiries all the time from the Eastern bloc, but we are not allowed to respond to them," said Andrew G. Rowe, director of

not many impulse buyers for the for Adept Technology, a four-yearcapital goods, chemicals and highold company based in the Silicon Valley that is the nation's leading technology products that are the nation's leading exports. producer of robots for lightweight The delays can be especially sigassembly. nificant when the major customers

are foreign governments. David Boddy, head of Market Access International Ltd., a London-based consulting company, points to the example of a Milwankce-based construction equipment concern. The company has spent 18 months cost the United States \$9 billion

international sales and marketing

Executives stress that manufac turers support many if not all of the government's export restrictions Nevertheless, the National Academy of Sciences pointed out in a study this year that the restrictions rying to win an order from the annually in exports.

components to arrive only when phy diagnostic devices, better needed. This strategy saves them known as CAT scanners. GE ran move current exports into overseas the costs of owning, storing and into repeated delays when it began production showed up in a recent keeping track of millions of dollars mying to obtain its first export listudy of high-growth midsize com- worth of components. conditions

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period has been cut to nine months. "But it still causes problems," said

import a high proportion feir key components. With all this, there is also a range is of more subtle constraints on ex-

> Smaller firms 'come in a blaze of glory and expect to sort out a deal overnight.'

> > - David Boddy, London consultant

ports that are frequently overlooked. Consider the following sit-31 vations:

ment maker cannot find financing small and midsized companies that from its bank for overseas sales. will be felt much sooner than they Each of these examples high-think," said Amir Mahini, McKin-hights problems or business trends sey's director of international rethat brake the growth of manufac-search. That brings them to the turing exports. Together, say econ-classic fork in the road of whether omists and executives, they spell to add capacity here or overseas." trouble for any national economic Today, the declining value of the Today, the declining value of the policy that relics too heavily on dollar can make the move to counexport growth fed by a declining tries like Japan more expensive dollar to carb trade deficits. than ever, which might encourage dollar to curb trade deficits. Take the case of Allied Signal some companies to stick to export-Inc., which makes unbochargers ing. However, manufacturing exfor Japanese antomakers. Its expo-rience reflects one of the most im-companies must also consider a

portant built-in limits on the new reason to switch from exportgrowth of manufacturing caports ing to manufacturing close to over--that exporting is often seen as an seas customers - the Japanese-led interim phase in the growth of a trend toward just-in-time producmultinational business

ations: When a product becomes suc-When a product becomes suc-Using this strategy, manufacture-sion in Milwaukee competes with cessful overseas, as Allied Signal's ers are pressing companies like Al-Signal to deliver multiplication of turbo-sion in Milwaukee competes with Signal's ers are pressing companies like Al-Signal to deliver multiplication of West Germany and

typical of such deals and one of many stumbling blocks that dis-courages would-be exporters.

Part of that effort was devoted to

finding a local partner to join it in

the bidding. Mr. Boddy said that

h government

Smaller companies in particula fail to put in the necessary time," Mr. Boddy said. "They come in a blaze of glory, perhaps on the back of a successful exhibit at a trade show, and expect to sort out a deal overnight. Those that have been successful have been willing to work six to nine months before sales show up.

Some of the delays restraining export growth are self-inflicted. The United States' export licensing procedures, for example, can dampen the export prospects for even the biggest companies. General Electric's medical products divi-

Toshiba Corp. of Japan in the mar-

تشبیع آشد: آهانی:		are, an American company is likely	hed Signal to deriver smaller ship-	
بھتا ہے۔ جنت سریہ پیر بینوں اور	L London ()	Paris Commodities	Dividends	U.S. Treasuries
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	Section 122 122 122 122 Adar 122 122 122 122 122 Adar 122 122 122 122 122 122 Adar 123 <td>COFFEE Francis francs new 146 km Francis francs new 146 km Mary N.T. N.T. 1,777 — -7 Mary N.T. N.T. 1,280 1,280 -7 Mary N.T. N.T. 1,281 1,275 -7 Mary N.T. N.T. 1,285 1,370 +8 Mary N.T. N.T. 1,285 1,370 -1 How N.T. N.T. 1,283 1,333 -1 How N.T. N.T. 1,283 1,333 -1 Km N.T. N.T. 1,333 1,33</td> <td>Cincinnett Beili Q. 34 2-1 January Bestgeroub Properts G. 36 J-27 January Fidebitv Nini Frid G. 36 J-27 January Fidebitv Nini Frid G. 30 J-15 Tz-17 Green Lakes Chemic G. 34 1-15 Tz-17 Green Lakes Chemic G. 34 1-16 L1 Green Lakes Chemic G. 35 1-16 L1 Hotty Sugar Carp G. 25 3-24 Ta-17 Lannor Carp G. 36 1-23 Tz-18 Lannor Carp G. 36 1-13 Tz-18 Lannor Carp G. 36 1-13 Tz-18 Lannor Carp G. 36 1-13 Tz-18 Parkwory Co G. 36 H 1-13 Tz-18</td> <td>Community Toder PTV. Aturalizative 7.90 7.30 Carline, ib 120 120 Carline, ib 120 124 Carline, ib 120 124 Carline, ib 120 124 Linon FUB, Ibin 213.00 213.00 Linon FUB, Ibin 20.00 0.42 Picket, Ubinetsi, non 473.00 473.00 Sterit (Ubinets), non 473.00 473.00 Sterit (Ubinets), non 473.00 4254 Zinc, ib 0.45 0.45 Source: AP. 0.45 0.45</td>	COFFEE Francis francs new 146 km Francis francs new 146 km Mary N.T. N.T. 1,777 — -7 Mary N.T. N.T. 1,280 1,280 -7 Mary N.T. N.T. 1,281 1,275 -7 Mary N.T. N.T. 1,285 1,370 +8 Mary N.T. N.T. 1,285 1,370 -1 How N.T. N.T. 1,283 1,333 -1 How N.T. N.T. 1,283 1,333 -1 Km N.T. N.T. 1,333 1,33	Cincinnett Beili Q. 34 2-1 January Bestgeroub Properts G. 36 J-27 January Fidebitv Nini Frid G. 36 J-27 January Fidebitv Nini Frid G. 30 J-15 Tz-17 Green Lakes Chemic G. 34 1-15 Tz-17 Green Lakes Chemic G. 34 1-16 L1 Green Lakes Chemic G. 35 1-16 L1 Hotty Sugar Carp G. 25 3-24 Ta-17 Lannor Carp G. 36 1-23 Tz-18 Lannor Carp G. 36 1-13 Tz-18 Lannor Carp G. 36 1-13 Tz-18 Lannor Carp G. 36 1-13 Tz-18 Parkwory Co G. 36 H 1-13 Tz-18	Community Toder PTV. Aturalizative 7.90 7.30 Carline, ib 120 120 Carline, ib 120 124 Carline, ib 120 124 Carline, ib 120 124 Linon FUB, Ibin 213.00 213.00 Linon FUB, Ibin 20.00 0.42 Picket, Ubinetsi, non 473.00 473.00 Sterit (Ubinets), non 473.00 473.00 Sterit (Ubinets), non 473.00 4254 Zinc, ib 0.45 0.45 Source: AP. 0.45 0.45
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and lot	Store Ask Director Metals		Iberia Airlines Orders 40 Pratt & Whitney Jets	Dec 8 State Callsdorthe Path-Jatter True Jan Frie Her Jon Feb Her State newto calls or non't 9 214 211 212 212 212 212 212 217 9 214 211 212 212 212 217 1 122 123 217 127 128 129 1 125 125 127 128 128 128 1 125 127 127 128 128 128 1 125 128 128 128 128 128 1 125 128 128 128 128 128 128 1 125 128 128 128 128 128 128 128 128 128 128
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	South 1153 3400 3400 3400 3400 3400 3400 3400 34	300 - N Center total volume (7,072; total even let. COLMO Center total volume (7,072; total even let. 20,000 many biological volume (2,077) total even let. 20,000	The value of the order was not disclosed. The JT8D-217C engines will power 17 McDonnell Douglas MD-87 twin-jets, which will be de- livered beginning in October 1989, officials said Monday.	In this newspaper are not authorized in certain jurisdictions in which the Interna- tional Hernid Tribune is distributed, in- chofing the United States of America, and do not eccentione offenings of securities,
	ZINC (High Grade)	SLP WE Indust; High 22244 Sow 217,12 close 22244 +5.45 Searce: CBOE.	officials said Monday.	tisements for afferings of any kind.

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The new Britannia coin conrains one ounce (31.1035 grms) of pure gold.

It is guaranteed by the British Royal Mint, the oldest mint in the world.

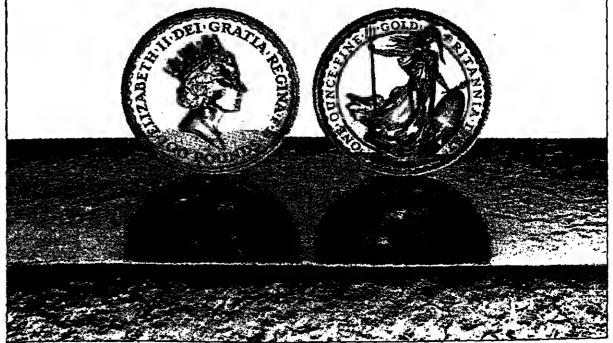
It is available from all banks and brokers.

And there are three other coins, which contain half an ounce (15.55 grms), a quarter of an ounce (7.78 grms), and one tenth of an ounce (3.11grms) of gold.

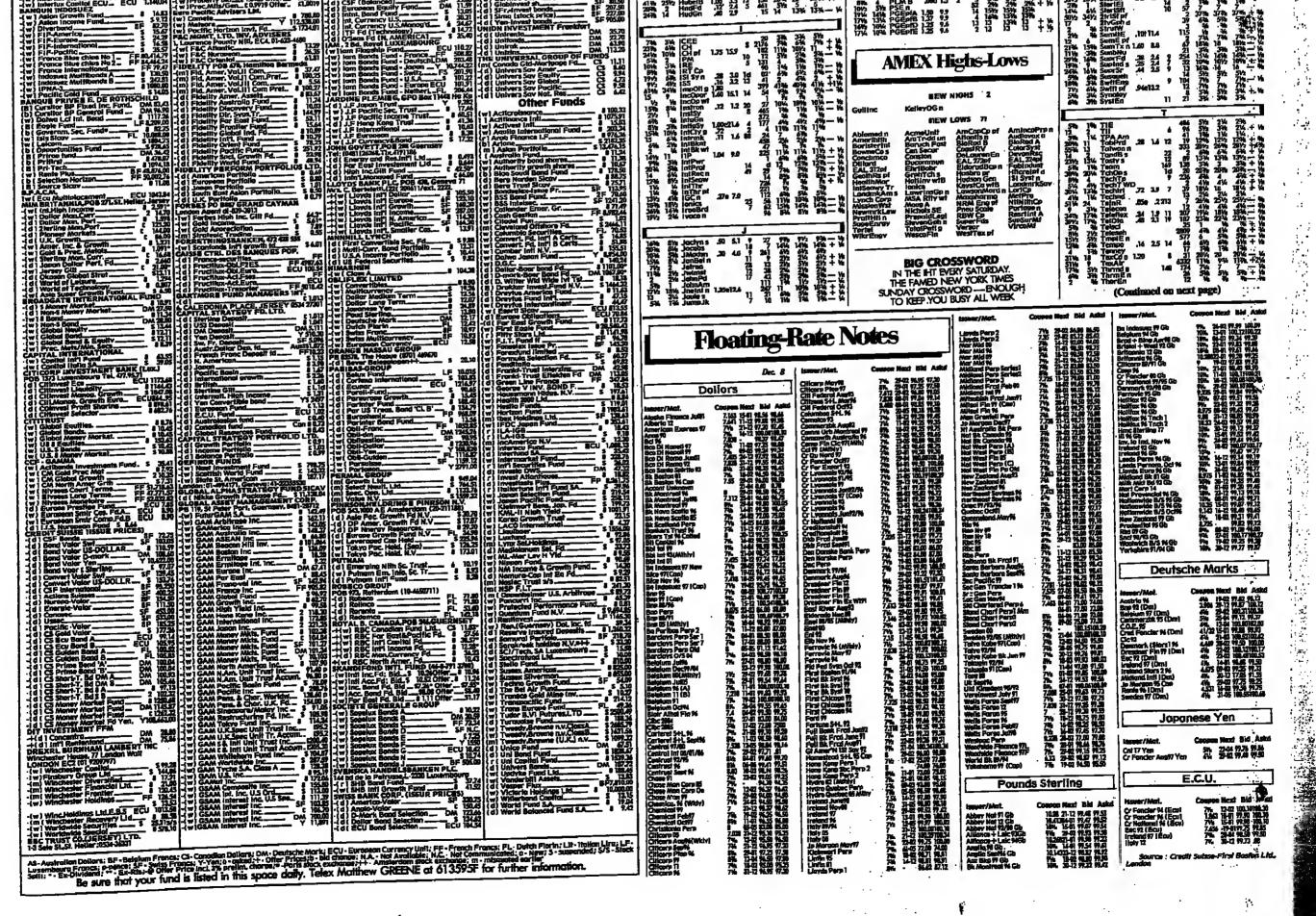
Their price, of course, is determined by the current price of gold.

Which, in the long term, has always risen.

The new Britannia from The Royal Mint. THE ROYAL MINT



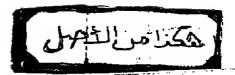
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Page 17

Market Worries

Cartel Committee

Reuters

committee, meeting Tuesday a day before a full session of the

oil cartel, termed the market

situation very serious and called

They said a report by the six-

nation market monitoring com-mittee had made no specific ref-

erence to keeping the price of \$18 per harrel. But, they said

the report expressed concern

about the supply and demand outlook in the first half of 1988

and urged efficient monitoring

of output by the Organization

of Petroleum Exporting Coun-

Ecuador's oil minister, Fer

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OPEC delegates said.

VIENNA - A key OPEC

CHRRENCY MARKETS

Dollar Declines in Thin Trading

by Our Staff From Disparch NEW YORK - The dollar fell Buropean trading, dealers said, while most market participants woided taking fresh positions be-

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fore U.S. trade figures for October are released Thursday. Seth Cohen, a foreign exchange gader for Midland Bank in New (ock, said the market was "very packadaisical."

"I think you will find the dollar will stay in a narrow range until Thursday's trade figures," he add-ad, "and then there could be a big novement, depending on the trade nes, in either direction."

Most economists predict that the U.S. trade deficit for October will be\$14 billion to \$14.5 billion, after the \$14.08 billion gap in Septem-

The trade number could turn out to be a nonevent," if it is little changed from September, said one

trader at a New York bank. San New York, the dollar fell 1.5 premigs to 1.6635 Deutsche marks, from 1.6785 DM on Monday; to 132.65 yen from 132.95; to 1.3585 Swiss francs from 1.3695, and to 5.6410 French francs from 5.6840. The British pound rose to \$1.7995 from \$1.7860.

Remarks from Alan Greenspan. the Federal Reserve Board chairman, that fiscal discipline was needed to contain inflation and aid economic growth, had little impact on the currency, dealers said.

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But some dealers said they bepercent did not lead to a further reduction in the key Tieved that the Fed had carefully shifted its policy to provide more support to the dollar through intervention in the currency markets, after its policy of lowering interest rates to stabilize financial markets akened the U.S. corrency.

"I do think there's been a subtle change in U.S. policy," s London 3.15 on Tuesday; one-month funds held at 3.55 pertrader said. "They're no longer targetting the equity market to the det-

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London Dollar Rates THE Mon 1.6667 1.7946 1.32,65 1.3628 5.6525 Deutsche Pound ste 1,4710 1,7945 132,77 1,3635 5,4613 Japanese yen Swiss fronc French fronc

iource : Revier. riment of the dollar." He noted that

perceptions that the U.S. authorities were prepared to let the dollar slide helped push the currency to record lows last week.

In London, the dollar edged down to 1.6667 DM from 1.6710 DM on Monday; to 132.65 yea from 132.77; to 1.3628 Swiss francs from 1.3635, and to 5.6525 French francs from 5.6613. The pound rose to \$1.7965 from yen.

s 7945 Sterling was becalmed all day, spending the entire session un-changed at 75.7 percent of its 1975 value against a basket of 18 major currencies.

repurchase rate to 3 percent.

changed at the Zurich close at 1.3630 Swiss francs from 1.3635. Against the mark, the pound's closing 2.9962 DM was little altered from its opening 2.9952 and

Reuters

rates edged higher Tnesday after the Bundesbank offered banks 35-day funds through a new round of

securities repurchase agreements at 3.25 percent.

FRANKFURT - West German money market

Some dealers were disappointed that last week's cut

However, most dealers and analysts said such a

move was not necessary in view of relatively high

money market liquidity and currency stability. As such, lears of a shift in the central bank's accommoda-

tive credit policy are unwarranted, they said.

in the benchmark discount rate to 2.50 percent from 3

prices

Greenspan Evokes just below its previous finish of 2.9982. Dealers expect the Bank of 'Fiscal Discipline' England to keep intervening to keep sterling below 3 DM as an aid Reuters to British exports. WASHINGTON - Alan The meeting of the Organization

Greenspan, chairman of the Federal Reserve Board, said of Petroleum Exporting Countries starting in Vienna on Wednesday Tuesday that fiscal discipline will be closely watched, one dealer was needed as well as careful noted, as Britain's position as a major oil producer makes the money supply policies to foster "For the Federal Reserve, pound vulnerable to declines in oil

this means maintaining progress toward an environment of Yet lower oil prices would help the yen, since Japan is heavily de-pendent on imported oil. "If oil price stability in which the forces of economic growth can be fostered and sustained," he said in a speech. "But prudent prices come down, we could see the sterling/yen cross come off," this dealer said, referring to sterling's closing value Wednesday of 238.37 monetary policy is not a sufficient condition for a stable, noninflationary financial climate. Fiscal policy must also In earlier European trading, the dollar was fixed slightly lower in Frankfurt at 1.6670 DM from play a role."

Mr. Greenspan said financial markets around the world 1.6707 on Monday and in Paris at would "continue to be subject 5.6485 French francs after 5.6675. to shocks" until the problem of U.S. budget deficits was fully addressed.

Options Are Few for Countering Loss of Purchasing Power By Warren Getler

national Herald Tribune LONDON - OPEC oil produc-the Iranians - and aired repeated-iy by OPEC's president, Rilwann long slide since 1985, are increasingly desperate to find some means of protecting their shrinking pur- tem pegged on a basket of foreign

chasing power but have very few currepcies. That would protect options for doing so, economists and industry sources say. According to these analysts, much of the debate at Wednesday's year-end meeting of the Organiza-

tion of Petroleum Exporting Countries in Vienna will center on how to compensate for the continuing decline in the value of the dollar,

the meeting, while other states have flirted with the idea of decoupling the price of oil from the dollar in favor of an unspecified "basket" of currencies.

Between December 1986 and OPEC — have suffered an estimat-ed 13 percent decline in income as a in production. Whether it can agree

decime in the value of the dollar, the currency in which oil contracts are denominated worldwide. Iran, engaged in a costly war with neighboring Iraq, is pushing for a \$2.70 a barrel price increase at the currency in while other states bars that the proposals would not, in any event, be practicable.

vious losses.

OPEC in the end will not be able to either raise its fixed price or move out of the dollar," said Humphrey Harrison, a senior oil analyst November this year, Gulf oil pro-ducers - the dominant partners in kets in London. The only course

result of the dollar's depreciation, to that is questionable, particularly said Philip K. Verleger, an analyst in the light of members' already said Philip K. Verleger, an analyst at the Institute for International reduced purchasing power from oil

revenues Economics in Washington. An increase in the official price drastically impaired the ability of OPEC members to afford the capi-tal goods and consumer goods for the function of \$18, supported by Libya and Algeria and possibly Nigeria, will be furcely resisted by the Saudis "The decline in the dollar has continued economic progress," Mr. and the Knwaitis, influential voices within the 13-member consortium Verleger said. He noted that many import contracts for such goods are who insist that a price rise is not viable under current demand and denominated in currencies that would hurt OPEC's market share.

The Saudis and Kuwaitis are known to be particularly concerned cent against the British pound, 13 that a higher price would also encourage U.S. producers to revive percent against the Deutsche mark,

In addition to an increase in the shown no interest in abandoning goods and consumer goods. and 16 percent against the yen.

price of oil, another remedy to the the dollar, an idea that has bounced around OPEC circles for years but weak dollar being put forward by never canght on, except for a short-lived experiment with a currency basket in the early 1970s. Lukman of Nigeria — is a switch from dollar-based pricing to a sys-"The Saudis have said they are not prepared to discuss abandon-

ing the dollar, and there are suffi-cient realists within OPEC to keep against further revenue declines but would not compensate for pre- it off the agenda," Mr. Harrison

Mr. Verleger, the Washington-based economist, said OPEC had The price of oil should be re-viewed in line with the dollar's depreciation every year, or a basket of foreign currencies should replace no real formula for overcoming the dollar dilemma "They may try lots of things to compensate for the substantial cut the dollar in accounting oil prices," Iran's oil minister, Gholamreza

in their real incomes caused by the dollar's decline, but they're going to fail," he said. "But they won't be able to switch into another curren-

cy because there simply is no other currency in sufficient circulation there's just not enough Deutsche marks, Swiss francs or Japanese yen in the world for that role."

Joe Stanislaw, managing director of Cambridge Energy Research Associates in Paris, said the dollar's decline was more painful to some than others.

heavy yen-based debts." One of the likely repercussions

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Il percent against the French france long-idle capacity. Moreover, the Gulf states have able terms on imports of capital Moreover, the Gulf states have able terms on approximent goods.

er that the committee would recommend to the full meeting that the group abide by the \$18 price. But his account of the meeting differed from that of other OPEC delegates.

trics.

"Since the beginning of the year, there has been a clear increase m "It hurts all OPEC producers," barter trade by Iraq, Iran, Kuwait he said, "but is not overwhelmingly painful, except for those countries, and the Saudis," said Mr. Stanislaw. "They will use barter to try such as Indonesia, which do the bulk of their trade in nondollar and get preferential terms for their currencies. Indonesia trades pri- oil, but I think its more important currencies. Indonesia trades prifor them as a devise to generate marily in the Japanese yen and has markets for their crude" during the current glut.

In what may be the largest oil of a sustained decline in the dollar's barter deal ever, Saudi Arabia value, he said, would be a shift in agreed early last year to swap oil to OPEC buying patterns toward such pay for its \$7 billion purchase of dollar-oriented economies as Mexi-Tornado fighter aircraft and other co, Brazil, Taiwan and Singapore. support planes. "I think barter will pick up and According to Mr. Stanislaw, individual member states also may

spread as a convenient form of disresort increasingly to barter to obcounting, which will make the oil tain what they perceive as favorprice even more unstable," Mr. Verleger predicted.

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OPEC Is Squeezed by Falling Dollar

cent; three-month money rose to 3.60 from 3.55, and six-month Euromarks rose to 3.75 from 3.69. Div. Yick 1006 High Low 4 P.M. Char 2 Month Noh Low Stock
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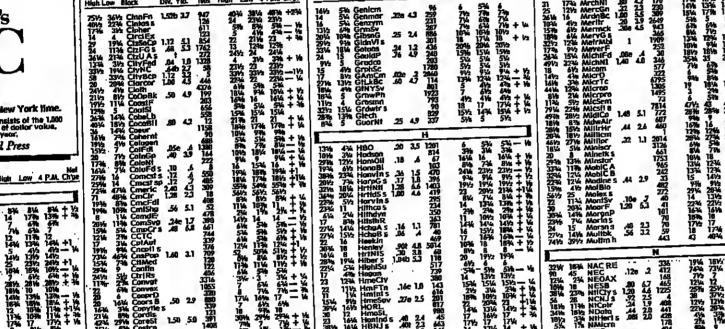
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high 58.0 billion.

have more than enough funds at the moment." Although bank holdings at the Bundesbank fell to 57.4 billion Deutsche marks (\$34 billion) at the end of last week from 59.7 billion on Thursday, the average for the first six days of December was still a relatively have appreciated sharply. The money market has been awash with liquidity in Since the beginning of the year, the dollar has fallen about 17 perrecent days, thanks in part to last week's open market Deutsche mark sales by the Bundesbank and other

central banks to ease pressure on the dollar and the European Monetary System, the mechanism of fixed exchange rates linking eight currencies.

Some dealers said the Bundesbank's participation alone may have come to \$1 billion.

"Some people expected a lower rate," said Günther

Teich, treasurer of Bank of Boston's Frankfurt opera-

tions, "but they should not see 3.25 as negative. Banks

The U.S. currency was little (Renters, AFP) German Money Market Rates Edge Higher

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C New York Times, edited by Eugene Maleska.







BEETLE BAILEY FOR SEVERAL









THE SHIFTING POINT By Peter Brook. Illustrated. 254 pages. \$22.50. Harper & Row, Publishers Inc., 10 East 53d Street, New York, N. Y. 10022.

Reviewed by Mel Gussow

I N the preface to his new book. Peter Brook announces that he has never believed in "a single truth" but has always sought a point of view with which one has "passionate, and absolute, identification." The fact is that Brook is source, identification. The fact is that prook is neither didactic nor dogmatic, but "stereo-scopic" in his receptivity to experience and to theatrical possibilities. That flexibility is not always readily apparent to viewers of his indi-vidual works; so many of them seem to make definitive statements. In his career - a career that in its virtuosity is unmatched by that of any other contemporary director - he has leaped from landmark to landmark, with work as varied as "Marat-Sade" and "A Midsummer Night's Dream

Brook's "shifting" is actually a searching. Just as he has not allowed himself to be locked into predictability - he has resisted career opportunities with a consistency bordering on defiance — he has not been trapped by his own past. His Pans-based theater emphasizes repast. Fus rais-based incater emphasizes re-search; process remains more important than result. This is one reason it is so fascinating to read about Brook's journeys. The articulation he demonstrates as a director exists equally in his writings and in his conversation, which are often superprove

often synonymous. In contrast to his previous book, "The Emp-ty Space," which derived from a series of university lectures, "The Shifting Point" has an informal, collective provenance. It is an an-thology of articles, prefaces and edited excerpts from interviews drawn from a period of 41 years. However, what the book lacks in structure it more than compensates for in content — and it whets one's appetite for a real Brook memoir. A skillful writer, he is revealing about the

genesis of his own art and also about the art of others. The firsthand impressions of Gordon Craig, John Gielgud and Jan Kott are the perceptions of a man with the keenest eye for. elevant detail. The tale of the laborious effort that went into the film of "The Lord of the Flies" is vintage Hollywood reportage. The story opens, flavorfully, with Sam Spiegel holding a beachfront conference about the novel he has just purchased (and which he

Solution to Previous Puzzle ECHO CARAT MIME WHILRHYTHMICAL SENATES LUSTRE ODES REEDS ARCED CHAT A R C H ED 1 8 RUSE SEMIS ABNER TOBE ERAAND SEATTLE BNAPSDJYLN TDUB FEELS **NNA**

BOOKS

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subsequently sold). To Brook's dismay, producer asked him, "What are we going he call the film?"

In such a fashion, the author offers pithy anecdotes that act to lighten the philosophical load (but not the portent) of his book. At the same time, one must note that he can reach for same time, one must note that he can result for a metaphor, especially one of a colinary variety (theater as "the stomach." the world as "a can opener"). Those infelicitous phrases aside, Brook's book documents his open road to rediscoveries.

Along with "The Empty Space," "The Shift-ing Point" earns its place in the library of invaluable theatrical volumes.

Mel Gussow is on the staff of The New York Times.

BEST SELLERS

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The New York Times This list is based on reports from more than 2,000 bookstores monghout the United States. Weeks on list are not necessarily insecutive.

FICTION	Last Weiks
	Week on Lig
THE TOMMYKNOCKERS, by Steph	
KALEIDOSCOPE, by Danielle Steel	2. 5
THE BONFIRE OF THE VANITIES.	3.5
LEAVING HOME by Garrison Kellor PRESUMED INNOCENT, by Sec	110
THOW	6 19
HEAVEN AND HELL by John Jakes .	<u>5-</u> 10
BELOVED, by Toni Monison	9 16
EGACY, by James A. Michener	
A MAN RIDES THROUGH, by Stephe	
R. Donaldson	e i
RUBBER LEGS AND WHITE TAD	15 75
HOT FLASHES, by Barbara Raskin	12 ~~71
NONFICTION	
TIME FLIES, by Bill Corby REE TO BE A FAMILY, edited by Mario Thomas with Christopher Cerf an	<u> </u>
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THE CAT WHO CAME FOR CHRIST	F. 1.70
AS, by Cleveland Amory AMULY: The Ties That Bind_and Gag	
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PYCATCHER, by Peter Wright with Pas	
THE GREAT OEPRESSION OF 1990.	y 3,22
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OVE MEDICINE & MIRACLES. b	535
IAN OF THE HOUSE: The Life on obtical Memoirs of Speaker Tip O'Neil	1 .
din William Novak	9 13
THRIVING ON CHAOS. by Tom Peter EVEN STORIES OF CHRISTMA	
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DAY IN THE LIFE OF THE SOVIE JNION, (Collins Publishers)	
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ADVICE, HOW-TO AND MISCELLANEOUS

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THE 8-WEEK CHOLESTEROL CURE, by Robert E. Kowaldy THE FRUGAL GOURMET COOKS AMERICAN, by Jeff Smith SUPER MARITAL SEX, by Paul Pennall WEBSTER'S NINTH NEW COLLE-GLATE DICTIONARY (Merriam-Web-2

រ រៃក MEBSTER'S NEW WORLO OICTIO-NARY, (Sinton & Schuster) 5. 4 25

By Alan Truscott \$150,000. The 5,500-odd play- mediately, preserving the ace in A MIXED pair from the ers who held the South hand the closed hand, eventually found that the spade finesse the midpoint of the presigions the question of the opening bid. Blue Ribbon Pair Champion- Some bid one club and planned found heart unit.

BRIDGE

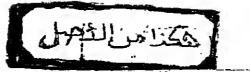
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THIS IS MY NUMBER ONE TEDDY BEAR AND THAT'S	ship at the American Contact to bid hearts twice, giving a fourth-round heart ruff.
MY SPARE BEAR." JUMBLE, by Hernel Arrowd and Bob Lee	GARFIELD Image: Construction of the second construction of the s
Unscramble these four Jumbles, one letter to each square, to form four ordinary words.	BEING BORED HACE. LET ME ENTERTAIN WOU! ADD ADD ADD ADD ADD ADD ADD AD
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DENEY	North America who competed mond lead. South ruffed and in the continentwide Charity crossed to the heart king. It was Game. This year the primary now good technique to take the beneficiary is the Arthritis spade finesse and then play to Foundation, which was pre- ruff two hearts. Those declarers
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SPORTS

Lendl Ends Dominating Year With a 3-Set Rout of Wilander

By John Feinstein Washington Post Service NEW YORK - When we last

left Ivan Lendl and Mats Wilander, ELLER But this time Lend and Mats Wilander, they were turning the final of the U.S. Open tennis tournament into a six-day bike race, playing through daylight, dust and the evening news. On Monday night, in the final of the Masters, neither the style nor the name of the winner changed. But this time Lend made shorter But this time Lendl made shorter And the second s work of things, winning his third straight Masters and fifth in eight years with a 6-2, 6-2, 6-3 wipcout of Wilander. Because the match was so one-sided, Lendl ended it in a mere 2 hours, 23 minutes.

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As has been the case for three As has been the case for three straight years, Lendl used this yearend tournament to showcase his dominance. He did lose a set here "is year (in 1986 his serve was broken only once in five matches), but he never once was in trouble, blowing Wilander away from the start with a huge serve and wicked forehand.

Wilander summed up the match accurately: "He just played too good for me. After a while you don't know what to do. It was very frustrating."

Not for Lendl. Amazingly, his hunger to win, to improve, never seems sated. "I can still get better," he said.

How? "A million ways," he an-swered. If Lendl gets much better, men's tennis may be in for a series of glorified walkovers.

ALC: NO For the week, Lendl earned \$1.01 million - \$800,000 for win-112.42 ning the yearlong bonus pool, \$150,000 as the champion and \$60,000 for winning three round-robin matches. Add that to the \$583.200 he'd won eight days carlier in a Florida exhibition, and Lendl's take for less than two weeks totaled \$1,593,200,

"It's nice to end the year by play-ing your best match," Lendl said. # just felt like I could do anything tonight."

Wilander realized that early. After the two traded early breaks, Lendl broke to lead, 3-2, when Wilander made two errors. Lendl rolled through the rest of that set,

broke in the first game of the sec- Lendt's forehand was so wicked broke in the first game of the sec-ond set and, except for some yam-mering at a few in the announced crowd of 14,107, had few worries. Once, Wilander was a serious threat to Lendi, especially in major championships. He beat him in the French final in 1985 and had a 6-7 match record against him. Now, though, Lendi has beaten him six straight times, and although the that it set up opportunities time and again to come in and put away casy volleys. There were a few interminable rallies, but for the most part Lendi kept Wilander off balance and in trouble. "I've played him so much that sometimes I can tell by the look on his face bow frustrated he is,"

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straight times, and although the matches have sometimes been long, Lendl said. "Tonight, I noticed it at 6-2.5-2." they are rarely that close. It didn't change after that. Lendl broke to start the third set and was "To beat him, you have to get ahead of him or at least stay even early," Wilander said. "Tonight, I up, 3-2, when Wilander had his one burst of the evening. Three straight times, Wilander charged in behind Lend's second serves and, with tried to think about other matches where I'd come from way behind to win, but after a while he was just playing too good." In the French and U.S. opens three different shots - punched forehand volley, overhead, sliced

backhand volley - won points to break. For the first time all evening this year, Wilander was able to keep Lendl from overpowering the crowd stirred, trying to shout Wilander into the match. him, mixing his shots enough that Lendl had to use patience instead But Lendl came right back, of sheer strength. Monday night, crushing two forehands to get to break point, then watching a Wilander backhand float wide. That

was his eighth break of the match and Wilander was through. The victory was so easy and rou-tine that Lendi barely managed a

smile and a weak wave of his fist as he walked to the net to shake hands. Lendl now has won five Masters three French opens and three U.S. opens. The goals he admits to are winning an Australian Open (more than reasonable now that the tournament will be played on a hard court) and, of course, Wimbledon. The goal Lendl won't talk about

after a year in which he was 74-7 is going undefeated for a year and winning a grand slam. "If you can't win a grand slam in one year, you want to win all the titles in your career at least," Lendl said. "Twe worked very hard to get to where I am. I've paid my dues. This is a great feeling to play this well, and I want to hold on to it for as long as I can."

Since Lendl is 27, there is bule reason to believe he will soon relinquish his death grip on the game. The only thing that's good is that he can't get much better," Wi-lander said. "The rest of us can."

Ivan Lendt: Still hungry.

This Saturday afternoon Luciano

Pavarotti, a well-known soccar fan, stars at the Hallen Stadion in Zurich. Pavaroni's considerable pres-

rounds of the 1990 World Cup. FIFA feeds its fixation with live television. Showing rare magnanimity, it realizes not all that it

ROB HUGHES

draw.

does, says and breathes is compulsive viewing, and press officer Guido Tognoni has pronounced: We want to make this draw less boring and, we hope, more enter-taining for our worldwide viewers than maybe previous draws."

Italian TV picks up most of the budget of 1.4 million Swiss francs (\$974,000) and Pavarotti heads a supporting cast that will include singer-actor Adriano Celentano, chess champ Garri Kasparov, Pelé and Michel Platini.

You can't wait? Frankly, 1 doubt the entertainment will surpass the now-you-see-it-now-youdon't ineptitude with which FI-FA's own vice president, Hermann Neuberger, conducted the last cup

Perhaps Pavarotti's hitting the high notes will drown out the laughter should Neuberger again have to stop the show, reshuffle the entries and start again.

However, I'm baffled by Kasparov's role and a mite perturbed by the suggestion that soccer's own gods are not sufficiently entertaining to hold an audience. In his wildest Walter Miny

moods (and he has them), Pavarotti would change places with Rund Gullit, his new orighbor in Milan. Gullit for sure can do a more authentic turn on stage than any opera singer in short pants and soccer boots could in a stadium. Gullit is also a star, an immense man of immense talent. He has

looks you can't ignore, a price tag you'd have to be megarich to pay and a oatural aptitude for the

Ationia

Houston

Philadelphia

New York

from PSV Eindhoven to AC Milan last summer basn't given him a medal to replace the beads around his neck. Neither club is a winner in Europe, yet the fans seem to appreciate Gullit the way U.S. sportswriters did in voting

excitement of the mercurial French-African tennis player, Yannick Noah. Gullit's \$10.8-million move

ten, is currently injured, but de-fender Sonny Silooy of Matra Racing in Paris, and Ajax striker

John Bosman are both top class Indeed Ajax has Arnold Muhrea in revival, ginting the likes of Brian Roy, a precocious black teen-age winger. The seed of 1970s "total soccer" is regermi-

Perhaps Gullit is timing his emergence to hold center stage in a Dutch renaissance. His club col-league in Milan, Marco Van Bas-

nating at Ajax, where Johan Cruyff, now 40, is manager. Significantly. too, the out-standing team of Europe is Real Madrid in Spain, coached by Dutchman Leo Beenhakker.

So burrah the Dutch? Players and mentors, yes. Fans no. On Wednesday, the Netherlands replays its European championship qualifier against Cyprus behind closed doors in Amsterdam, a consequence of that fanatical fool whose homemade bomb struck the Cypriot goalie.

The hoodlum is in tail, as much for his own sake after threats on his life when UEFA at first stripped the Netherlands of its points. The Dutch are laying claim to Britain's baton of obscene violence.

The European aothority's indecision, its weak vacillation on disciplinary action, are a mercenary farce. Originally, UEFA awarded the match to Cyprus, then on appeal ordered a replay in a deserted stadium but (naturally) with TV as a paying customer.

The appeal jury increased the Netherlands' financial penalty sevenfold, to 70,000 Swiss francs reiterating that UEFA still holds the Dutch responsible). As usual, UEFA coffers are the

winners. But what instice slaps Cypriot wrists? Cyprus has also been fined, 20,000 francs, its major offense, apparently, simply having been there and having left its goalie in range of the Feyencord bomber. Secondly, in UEFA eyes, Cypriot refusal to resume for 43 minutes - while players representing a small island were terrified and incensed - was punishable.

Thus, while Dutch soccer believes it is up against "evil and undesirable" hooligans, the Cyp-riots are assailed by UEFA as lacking true sporting spirit. The line between pantomime

and black farce is crossed. Rob Hughes to an the staff of the Sunday Times

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Rund Gullit, star: An immense man of immense talent.

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INDIVIDUAL Scoring

Field-Goal Percentuge

De Honn/The Associated Press

VANTAGE POINT/Scott Ostler Price Is High for South African 'Guilt Premium'

Los Angeles Times Service

-_ LOS ANGELES -- How about Ian Woosnam, folks? The plucky little Welsh golfer took the big enchilada last Sunday. He cashed the only check in the winner-take-all Million Dol-

lar Challenge in Son City, South Africa. Woosnam said, hefting his check. "If the tax woosnam said, hefting his check. "If the tax 5 533

tain a system the rest of the world sees as wrong. To counteract this boycott, South Africa has gone to the jugular. It dangles huge sums of

money in front of big-name athletes. "The prices are higher in South Africa, per performance, than any place in the world," says Arthur Astie, former Wimbledon champion and current co-chairman (with Harry Belatonte) of Artists and Athletes Against Apartheid. "We call

On the United Nations list of sports people who ignore the ban, there are 60 golfers. Golf, of course, has never been a great social leveler. You can't bleme Wadkins and Strange for ancient history. And maybe they truly believe in the old

outrageous.

I'm-not-political line of reasoning. "In the early "70s, it appeared South Africa wanted to use sports as an ice breaker," Ashe says. "A lot of people thought that might pre-

A Hyped-Up Draw in Zurich, a Surefire Draw in Milan International Herald Tribune LONDON — To each his own. his Saturday afternoon Luciano trails burn out. Readers of World Soccer, a

small but widely distributed international magazine, have elected the Dutchman as the soccer play-er of 1987. Gullit got three times as many votes as second-place Diego Maradona, and his total equaled those of the next 14 players combined.

You were all warned here a year ago that Gullit was on the way. The doubt was whether he could be persuaded to take sport seriously or whether, at 24 and a wanderer along his own Rastafar-ian path, have-guitar-will travel instincts would carry him into the land of pop. Soccer is winning. Gullit hasn't

to my knowledge made a record since "Not the Dancing Kind," he has given rein to the genius in his feet and has begun gathering in the game's rewards.

I'm thrilled. Gullit may be a rebel -- none of the Dutch greats has ever done what he was told but he is far from obnoxious and is the antithesis of willful kickers who smash other men's careers It may be premature to regard him as establishment, or even

tamed. He could no more bend the knee than Bobby Fischer, and a cap to doff to committeemen would look ridiculous on his flowing dreadlocks. Yet not for 12 months has Gul-

lit given a manager heart failure (Dutch national boss Rinus Michels is learning to live with him oow that the AC Milan star is the most regular of goal-scorers -- six in six internationals).

This is no homage to anarchy. There is more than enough of that around in sports. It is praise for liberated fizir and independent spirit and, if I'm honest, to register pleasant surprise that readers of a world magazine would concur with an estimation that a year ago ranked between maverick and

certifiably loony. Born of a Surinamese father and Dutch mother. Gullit conjures that breathtaking physical

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U.S. College Results

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They'll have to.

In some parts of the world, people don't have time to dream that dream. The blacks in South Africa dream of being able to vote and being able to get out of prison before they reach puberty. "Nonth Africa has this thing called apartheid, which is dictionary-defined as "an official policy of racial segregation in the Republic of South Africa."

The policy works fine until someone objects. Then it gets sticky. Something like 25,000 anti-spartheid people are in jail in South Africa. Thousands of them, by some estimates, are not yet teen-agers.

But what's this got to do with sports? And why pick on Woosnam, who never threw anybody in jail? Sports is the toy department, right? Why es en anti-

ruin it by turning it into a political tool? Sports is already a political tool in South Africa. Guys like Woosnam, by playing sports there, are hammering away, shoring up apart-heid against the storm of outside opinion. -They're as political as presidential candidates. Because South Africa is the only nation in the world where apartheid is an official policy, the United Nations slapped a cultural moratorium on the country. Entertainers and athletes are asked not to sing, box, golf, run or play ball beid. I can hardly wait to hear his views on other major issues. Child abuse — good or bad?

enough to go can negotiate a guilt premium, over and above the standard market value."

Other than resulting in bonanza paydays, is the boycott effective?

Cultural isolation is one of the most powerful nonviolent weapons that we have," Ashe says. "It's political, economic, spiritual and moral persuasion." It's serious stuff.

The boycott has been generally successful. Hundreds of U.S. artists and athletes have signed pledges that, as Steve Van Zandt, Bruce Springsteen and dozens of other stars sang proudly, "I-I-1-1 ain't gonna play Sun City." But some athletes, notably from the worlds

of tennis and golf, ignore the boycott. Tennis star Brad Gilbert has played there

twice in three years. Mike Weaver boxed there a whice in lines years, whice weaver botten interest couple weeks ago. And U.S. golfers Lamny Wadkins and Curtis Strange were in the eight-man Sun City field after playing in another made-for-South Africa event a week earlier. "I think Bradley is against apartheid and the conditions there," Gilbert's agent David Bag-

libter has been quoted as saying. "I'm not sure he thinks that sports should be politicized."

It's good to know Gilbert's stand on apart-

That never happened." So the old rationale no longer washes. If you Utah Phoenix

go to South Africa, you've leaped off the fence. This is all quite easy for me to say. I-I-I-I ain't gonna type Sun City. I won't cover sports there. But then, nobody is offering me a million bucks to drop in for a weekend and write a couple breezy stories on backswings.

Still, do guys such as Wadkins and Strange need the money? They were the two leading money winners on the FGA tour this year.

Others, on principal, have pledged not go. Craig Stadler, who once played in South Africa, has signed the pledge. John McEnroe, after listening to Ashe, turned down \$1 million to show up in Sun City with his racket.

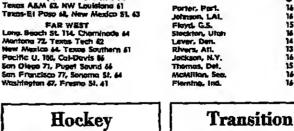
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Too bad. How many times have you heard someone grouse about the big money carned by athletes? "Geez," gripe the gripers, "they're not curing cancer." Now, when they have a chance to help cure a cancer, some athletes are too busy playing.

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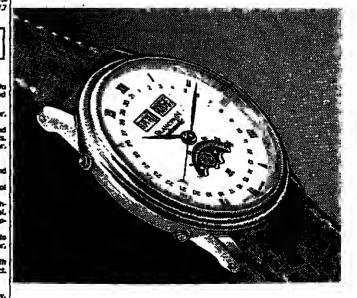


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Rose Confirms Retirement The Associated Press

DALLAS --- Pete Rose, manager of the Cincinnati Reds and baseball's career leader with 4,256 hits, confirmed Monday that he has played his final game.

Rose hasn't played since An-gust 1986 but had not officially retired because he hadn't wanted "a lot of home plate ceremotrics.

"It's not like I'm out of baseball, like they've taken the uni-form off me," he said. "I spend twice as much time at the ballpark now as a manager as I did when I was a player, and I almost lived there when I was playing. Sometimes you play the game more as a manager than you ever did as a player." Rose compiled a .303 career batting average in a career that began with the Reds in 1963 and, after stops at Philadelphia

cinnati on Ang. 17, 1986. He got his last hit on Ang. 14, 1986, a single off Greg Minton of San Francisco.

On Sept. 11, 1985, Rose sin-gled to left-center off Eric Show of the San Diego Padres for hit No. 4,192, surpassing Ty Cobb's record that at one time was considered unreachable. Rose was voted rookie of the

year in 1963, most valuable player in 1973 and MVP of the 1975 World Series, which the Reds won in seven games over Boston. He was selected to the National League All-Star team 16 times, took part in seven playoffs and six World Series.



He retired with major-league records for hits, at-bats (14,053), games (3,562) and singles (3,205); he ranks second in doubles (746) and fourth in runs (2.165). His 44-game hitting streak in 1978 established a modern National League record. "I'm oever goiog to bat again," Rose said Monday, but I've already played a lot longer than you guys thought I should. I've had 15,000 at-bats and caught a lot of balls."

Laughing, he added: "I'm 46. If I'm not retired, I should be."

SPORTS BRIEFS

Marino Leads Dolphins Past Jets, 37-28

MIAMI (AP) - Dan Marino, bouncing back from one of the worst performances of his career, passed for 293 yards and one touchdown and ran for another score, leading the Miami Dolphins to a 37-28 National Football League victory over the New York Jets here Monday night. A week earlier. Marino threw for only 165 yards and was intercepted three

times in a 27-0 loss to Boffalo. Rookie Troy Stradford rushed for 120 yards and three TDs to belp rekindle Miami's divisional title hopes. The 6-6 Dolphins are tied for second place in the American Conference East with the Jets and Boffalo: Indianapolis (7-5) leads the division.

Marino completed 29 of 40 passes and ran five yards for his first touchdown in four years after New York had cut a 27-point deficit to 30-21 early in the fourth quarter.

Baseball Strike Zone Reduced, Sort Of

DALLAS (Combined Dispatches) - The strike zone, which pitchers claim has shrunk over the years, was officially reduced Monday during baseball's winter meetings, but those responsible for it said the rule change should result in more strikes being called.

The limits of the zone had been the arm pits to the top of the knees. The rules committee left the lower limit intact but changed the upper limit to

unitor a pauls. A spokesman (of the commissioner s office sperared mat midpoint as the middle of the player's chest.

Pat Gillick, general manager of the Toronto Blue Jays and member of the committee, said the intent "was to get more strikes called." He said the zone, as interpreted by unputes, has been around the bottom of the ribs. The newly defined top will be higher than that, even though lower than the textbook version.

"We've actually made the strike zone larger," Gillick said. "What we did is establish one that we want to be enforced. The unparts shrunk the zone. They weren't calling enough strikes. We bope this will make it clear. We're also hoping it will help speed up the games." (NYT, AP)

Unotable

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• Wes Matthews of the Los Angeles Lekers on Seattle's Xavier Mc-Daniel, with whom he scatfiled Nov. 24: "I don't know what his problem is. I can't wait until we play again. His bald head is mine." (AP)
 Bobby Bowden, Florida State football coach, asked whether disci-(AP) pline is the key to winning: "If it was, Army and Navy would be playing for the national championship every year." (LAT)

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OBSERVER

Pass the Horsewhip

By Russell Baker Nerend Jerry Falwell and his mother were crudely savaged by Larry Flynt in Hostler magazine, Falwell called his lawyer and said "Get him," thus completing a story illustrating the sad decline of American character.

Page 20

Pag

Flynt's contribution is well known. As the Prince of Sleaze, he would be offended if called a gen-tleman. His idea of wit is a fiction about the former head of the Moral Majority committing incest with his mother in an outhouse.

Flynt could destroy the national sense of humor. I don't say that the United States would be better off Red than rolling on the floor with langhter at outhouse incest, but it's a close call.

On the other hand, neither is it inspirational to see Falwell seeking legal redress in the form of cash. When a dear mother's good name has been degraded, men of sound

character don't try to cash in on it. Maybe in the heat of rage, Fal-well didn't think clearly, Calling a lawyer is, after all, a reflexive American response nowadays to almost every trying situation.

This passion for converting all problems in human relations into awsuits is another illustration of decay in the American character. It decay in the American character is now so ingrained that many peo-ple won't even get married without and ought to be revived today to save the country from the blight of signing a contract that will justify calling in their lawyers the first time they have an argument about whose turn it is to wash the dishes.

Falwell was probably just re-sponding to the all-American reflex when he threw down Hustler, phoned his lawyer and said "Get him." Maybe he didn't stop to re-flect that to "get" Flyat, a court action would be required, and that the damages, if awarded, would amount to cashing in on Flynt's nasty joke about his mother.

In any event, the case went to trial with curious results from the jury, which found not libel or slan-der but "emotional distress," and proval, Mother Falwell's honor awarded Falwell \$200,000 for suffering same. The U.S. Supreme Court is now asked to decide if be is entitled to keep the money.

If the court says yes, the famous chilling effect is likely to affect American publishing and televi-sion, since dozens of public figures

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must suffer emotional distress every day when they see what press and TV have done to them.

I have seen presidential candi-dates rage — or exhibit "emotional distress," if you will — because a newspaper ignored speeches they made or small triumphs they scored, or reported them on page 36 instead of page 1. Imagine the intense emotional

distress Gary Hart and Senator Biden suffered when cartoonists, "Saturday Night Live" and the wise-guy satirical columnists went to work on the misfortunes that knocked them out of the presiden-

tial campaign. So if Falwell gets to keep his \$200,000, a lot of us ont here will be looking for new jobs in which we can get paid for assuring humanity that its public figures are wonderful human beings.

A man of sound character would never have created this threat to the republic in the first place. Seeing Flynt's scabrous outhouse humor, a man of sound character has two choices. He can treat Flynt as a figure beneath contempt, and ig-nore him. Or, he can horsewhip

him through the streets. The horsewhipping of editors by outraged citizens was a fine Amerilawsuits.

Horsewhipping in the Hustler case poses complications for the aggrieved citizen since Flynt's confinement to a wheelchair might make the horsewhipper seem less than a gentleman. A true gentle-man might prefer to walk into Hus-tler's offices and horsewhip the entire staff. Either course would presumably

have led to an assault charge against Faiwell, and a trial at which no jury would have needed more than 20 seconds to send him home free. Hustler would have received would have been upheld instead of turned into cash, and the Supreme Court wnnid not have been dragged in with possibly dire re-

More horsewhips, I say. Fewer lawyers. New York Times Service

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FRENCH PROVINCES

By Michael Gibson ernational Herald Tribune DARIS - "La Passion Bé-Latrice," Bertrand Tavernier's latest film, seems to have taken

quite a few people by surprise. "Un Dimanche à la campagne" was a gentle and compas eflection on loneliness and age, "Round Midnight" a moving insight into the life of a jazz musician. "La Passion Béatrice," however, is a stark and violent tale a tragedy marked by incest, which unfolds during the 14th century in a small, windswept fortress in southwestern France.

The story, written by Colo O'Hagan, Tavernier's former wife, revolves around François de Contemant (Bernard-Pierre Donnadicu), the violent, desperate lord of the castle, and his daugh-ter, Béatrice (Julie Delpy). "There is something thoroughly Celtic about Colo's script," Tavernier said, "and even though the story

unfolds in France, it is very much of a Celtic tragedy. In a sense, Colo went out and observed her characters in the wilds, instead of bringing them back to the zoo to study them in a cage. I suppose it is a peculiar French foible to want to apply the criteria of contemporary psychology to all the other ages. Colo, however, has managed to give a free rein to the feelings of her characters.

Tavernier, a tall burly man, is driven by three passions: the cine-ma, history and jazz. In all three he shows a fascination for craft. Thus, when he talks about the way this picture was made, he dwells on the ingenuity of his dec-ntator as restorer of the castle, on the fact that the film, whose nar-rative encompasses all seasons, was completed in eight weeks of rather frosty spring weather.

He is visibly thrilled by the minntiae of history, the detective work it demands, partly because it alfords him the pure delight of assembling clues, but also partly because these clues help him to understand how people's emo-tions worked in the peculiar cir-cumstances of a permote age. As a cumstances of a remote age. As a result, the film offers a brilliantly

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"I picked up a lot of clues read-ing the etiquette manuals of the period," he said. "I would find out what the manual recommended and then tell the actors to do tended to do quite the opposite."

just the opposite. Because, if the manual says you mustn't blow your nose in the tablecloth, for instance, we may assume that this was something people actually did." One actor in the film does indeed use the tablecloth as a handkerchief. Tavernier decided not to seek

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inspiration for costumes in medi-eval illuminated manuscripts. Such scenes, he argues, were painted for special occasions and therefore show people wearing clothes that were never intended for daily life, "It would be like looking for clues to what was worn by French peasants of the 19th century by looking at wed-ding photos," he said. "In any result, the film offers a brilliantly persuasive view of daily life six centuries ago — a life he portrays as rugged and anstere, a mixture ple say that. Un Dimanche à la

moral niceties.

campagne,' for instance, was inof gross brutality and unexpected spired by the Impressionists. This is absolutely not the case, since I constantly stressed depth of focus in this film, making everything appear as sharp as possible, even in the distant background, where-as the Impressionists, of course,

Tavernier (right) with Julie Delpy during filming of "La Passion Béatrice."

Both Emmannel Le Roy Ladurie and Jacques Le Goff, leading authorities on the period and practitioners of a historical method that delves into the daily lives of ordinary people, responded en-thusiastically to Tavernier's por-trayal. According to Le Goff, it is the first film that allows one to glimpse the medieval period stripped of the stereotypes usual-ly encountered in movies. Le Roy Ladurie says that Cortemart is in fact typical of the small nobleman standing on the uneasy line where

to merge. In one sequence he is shown burning and plundering a hamlet on some neighbor's land, and stealing whatever cloth or scrap iron he can lay his hands on. This

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is not to everyone's taste: "Tavernier," the newspaper Le Quoti-dien de Paris protested, "has imposed on the collective soul an image of chivalry gone corrupt. Chivalry never actually declined in fact; its earthly realm was merely reduced."

Early in the film, Cortemant is Early in the film, Cortenart is shown returning from war, deeply shaken by English tactics in the battle of Crecy and mortified by the defeat of the French knights. He rages through his castle like a wounded bull, turning against all about him. He rapes his daughter, humiliates his son and ultimately destroys himself. Some critics found the matter of incest objectionable, although Tavernier handies it with sensitivity and tact. Indeed, Cortemart's actions are guided not by hast but, as the story reveals, by a desperate de-sire to provoke God at a time. the knight and the brigand appear when everything appears out of joint. "My Lord God, I hate

you!" he cries out despairingly, Tavernier seems to clude some critics because he can't be conveniently fitted into a slot. His pic-tures bestride geography and his-

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A Brutal Surprise From Tavernier tory and he seems equally at ease everywhere, "People are always saying I'm eclectic," he said, sigh-ing. The actor "Philippe Nonet once told me it is because we are living in what he calls an age of commentary. Every creator is a prey to commentators who expect him to fit into a slot. Commentary, indeed, has become more

> René, was a literary critic, Bertrand wanted to make movies from the time he was 14. As a young man he worked as movie critic, public relations man and assistant director in turn, "But I was a very, very, very bad assistent."

fascination for the United States in general that led him, a couple of years ago, to invest money into a sequence of four documentary films about William Faulkner country in Mississippi. The films, conceived for television, have been shown on French television, but Tavernier has not yet managed to arouse any interest for them in the United States.

He is very much a man of the The American Academy of Arts provinces in a country that, by administrative and political tradi-tion, is locused on Paris. "In my and Letters has elected the writers William Styron, Janes Dickey and the late Joseph Campbell to the organization, the nation's highest honor society for literature and fine profession," he mefully observed, "one is unfortunately obliged to become a Panisian. But I feel very

thoughtful - closer to the cello, in fact. The score for "La Passion Bé-

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atrice" was derived from medieval music but composed by the American jazz musician Ron Carter. The cello is just one of the instruments be plays.

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gold shovel in the ground in Set tember," Mayor Roland Bigonge of Yorba Linda, California, sale "6 Construction of the library and massum, a \$25-million center inthe former president's hometown! 4 should be completed by July 1990 46 the mayor said.

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PEOPLE

Prince Charles Attends

La Scala Season Opener. About 300 onlookers pressed he-hind harriers in cold and fog Mai-

day night to catch a gimpse of Britain's Prince Charles catering

Milan's La Scala theater for the

gala debut of the opera season with

Mozart's "Don Giovanni." The op-

era-loving prince was not accompa-

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prenuptial agreement, according to court records in Santa Monica,

California. Madonna, 29, and Penn, 27, were martied Aug 7 1985, in a lavish ceremony of a

Malibu bluff as photographers' be-licopters buzzed overhead.

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THE ADVERTISING DEPARTMENT 17

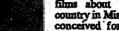
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arts. Styron will take the seat held. most recently by Lillian Hellman and Erskine Caldwell. Dickey will deeply rooted in a certain French ate which I am cager to reveal in my pictures. I don't think I shall ever lose certain traces tied to the first five years of my life, which I spent in Lyon. They contake the chair previously held by Raphael Soyer and John Steinbeck. Campbell died Oct. 31, after the election. The academy also named three new officers, novelist John Updike as chancellor and composer Milton Babbitt and poet Howard arrangement of a room, or in the profile of some secondary role." Nemerov as vice chancellors. The differences between Paris and the provinces are not always easy to define. One might say, for instance, that the Parisian charac-Former President Richard M. Nixon wants to shove the first s scoop of dirt at the groundbreaking of his long-delayed presidential li-brary. "There's no doubt in my mind that, health permitting...he has intends to come and we will have?" ter is best exemplified by the vio-lin, brilliant but at times shrill. Tavernier's France is more secretive, but also warmer and more

nied by his wife, Diana, who was in London attending a charity pre-miere of the film "Dancers." He important than creation." Born in Lyon where his father, prince was applauded as he arrived at his box, which he left only once, to pose briefly for photographers at intermission. The rock star and actress Madoma, citing irreconcilable differences, filed for divorce from the

He grew up with a great admi-ration for American films and a

actor Sean Penn after 27 months of matrimony. She asked for restoration of her maiden name - Ma-donna Ciccone - and division of the couple's property in line with a



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